Austria	[illegible]	Indonesia	[illegible]	Pakistan	Rs35
Bahrain	[illegible]	Iran	[illegible]	Philippines	Pso40
Belgium	[illegible]	Israel	[illegible]	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.50	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	Fils.500	Singapore	S$4.10
Finland	[illegible]	Lebanon	L£1,500	Spain	Pta175
France	FFr6.00	Lux	LFr60	Sweden	SKr13
Germany	[illegible]	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.800
Iceland	[illegible]	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

THE UNIVERSITY OF JORDAN SERIALS DIVISION

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,584

Thursday October 17 1991

D 8523A

FRANCE-IRAN
Bakhtiar murder will not jeopardise ties
Page 4

World News

Fighting in Croatia goes on despite Moscow deal

The Yugoslav republic of Croatia was engulfed in fighting despite attempts by the Soviet Union to implement a ceasefire between the leaders of Croatia and Serbia. Russian leader Boris Yeltsin joined the mediation efforts of Mikhail Gorbachev. Page 20

Nobel prizewinners
French Professor Pierre-Gilles de Gennes won the 1991 Nobel Physics Prize for work which led to portable computer screens. Swiss scientist Richard Ernst, who developed chemical analysis techniques, was awarded the Chemistry Prize.

Damascus marathon
US secretary of state James Baker and Syrian president Hafez al-Assad held more than six hours of talks in Damascus to iron out obstacles to a Middle East peace conference. Bush and Gorbachev may open talks, page 4

Mandela optimistic
African National Congress leader Nelson Mandela spoke optimistically about South Africa's peace process and predicted his country's return to the Commonwealth after a meeting with British prime minister John Major. Page 4

Compensation for Poles
The German cabinet agreed to pay DM500m ($294m) in restitution to Poles used in cruel forced labour programmes during the Second World War. Bonn accused, page 20

France plans reforms
France is planning to reform its criminal justice system, saying the present method of indictment is unfair to defendants who often find themselves presumed guilty until proven innocent.

Officials lose dachas
The Soviet prosecutor-general ordered former top government officials, including three deputy prime ministers, to hand over their illegally obtained luxury dachas.

Haughey fights back
Irish prime minister Charles Haughey accused his critics of "character assassination" as he defended his administration's handling of a series of financial scandals. Page 2

Athens bans cars
All private cars and half the city's taxis were banned from the centre of Athens for the second time this month after air pollution soared above danger levels.

Armenian pledge
The politician expected to become Armenia's first president pledged to lead the Soviet republic to full independence as his countrymen voted in elections. Page 2

Bush fires kill two
The worst bush fires in New South Wales in 20 years killed at least two people. It was believed that some of the blazes had been started deliberately.

Italian strike wave
Rebel Italian trade unionists in strategic sectors of the economy began a series of work stoppages. Train drivers, air traffic controllers and Alitalia cabin staff are among those affected. Page 2

Tax office raided
French farmers angered by falling income held up a Polish cattle truck, blocked roads and raided a tax office, scattering tax records and damaging computers.

Iceberg poses threat
An iceberg nearly as big as Cyprus is loose in the south Atlantic and could soon menace shipping, experts in the Falkland Islands said. It broke free from the Antarctic ice pack.

Business Summary

Japan official forecasts sharp fall for economy

Japan's economy is at a turning point and is headed towards a sharp downturn judging from the latest industrial output statistics, according to a senior official at the Ministry of International Trade and Industry (Miti) in Tokyo. Page 20

SOCIETE Générale de Belgique, Belgium's largest holding company, and Accor, French hotel group, mounted a BFr34.8bn ($997m) bid for Wagons-Lits, the Franco-Belgian tourism group best-known for its overnight European rail service. Page 21

PHILIP Morris, tobacco, food, and beer group, rolled out a predictable 20.7 per cent advance in third-quarter profits. The group lifted after-tax profits to $1.13bn, on sales 7.4 per cent higher at $13.8bn. Page 24

AIR France, French national carrier, became the latest international airline to announce a heavy loss for the first half of the year, hit by the Gulf war and the general economic slowdown. Page 21

THE US wants the Japanese government to produce evidence today that "decisive action" will be taken to prevent a repeat of the securities and banking scandals, Mr David Mulford, treasury undersecretary for international affairs, has said. Page 20

ROAD haulage companies will be able to offer unrestricted services throughout the European Community from the beginning of 1993 under draft legislation agreed by the European Commission. Page 2

GEORGIA-Pacific, largest US paper manufacturer, reported an after-tax loss of $27m in the three months to end-September. Page 24

GENGOLD, South African gold group, benefited from a firmer gold price and lower retrenchment costs to record a 64 per cent increase in after-tax profits to R85.3m ($30m) in the September quarter. Page 25

KVAERNER, Norwegian engineering, shipping and shipbuilding group, reported a NKr64m increase in eight month pre-tax profits to NKr750m ($112m), helped by two key acquisitions earlier this year. Page 30

MCCAW Cellular Communications, a leader in the fast-growing US cellular telephone market, unveiled plans for a cellular telephone network that it hopes will ultimately link the entire US under a single cellular communications system. Page 24

AMERICAN Airlines, one of the largest US carriers, prompted a rally in airlines stocks on Wall Street, when AMR, its parent company, reported 30.4 per cent improvement in operating profits, to $187.2m in the third quarter. Page 24

GEORGE Wimpey, recession-hit UK construction group, has sold its waste management business for £105m ($180.6m) to a joint venture between Wessex Water and Waste Management of the US. Page 27

EAST Germany's state-owned industries will axe more jobs than expected this year, with around 500,000 going by January, the Treuhand privatisation agency said. Page 2

THE US has increased pressure on Japan to join in building an $8.5bn high-speed particle accelerator in Texas by putting the issue prominently on the agenda when President George Bush visits Tokyo next month. Page 3

OUTOKUMPU, Finnish state-owned base metals group, slid into the red during the first eight months of the year, reporting a loss of FM255m ($61.2m), against a profit of FM208m in the corresponding period last year. Page 22

Swedish government acts to save biggest bank

By John Burton in Stockholm

THE SWEDISH government said yesterday that it is to guarantee a SKr3.8bn ($610m) loan in order to save the country's biggest savings bank, Forsta Sparbanken, from threatened insolvency. The move followed a forecast by the bank that it would incur credit losses of SKr4.5bn this year.

The loan will be made by Sparbanksgruppen, the new consortium of the country's 11 regional savings banks, which includes Forsta Sparbanken.

This is the second time in three days that the new government has intervened to bolster Sweden's ailing banking sector. On Monday it decided to subscribe and underwrite a SKr5.2bn new share issue for Nordbanken, the state-controlled bank.

Swedish banks expect further credit losses this year, which could exceed SKr20bn, because of loans that have gone sour after property prices fell steeply.

Similar problems have affected banks in Norway and Finland. Last month the Bank of Finland was forced to take over the administration of Skopbank, the central bank for the country's savings banks, while the Norwegian government announced on Monday that it was providing funds to Christiania Bank, the country's second largest commercial bank, to save it from technical insolvency.

Ms Anne Wibble, the finance minister, said yesterday's action was necessary to restore stability in the banking system and protect depositors.

The loan guarantee will providing a breathing space for Sparbanksgruppen to solve problems within Forsta Sparbanken, which it will take over, and prevent the government from being forced to assume control of the bank.

Government officials said Sparbanksgruppen, which predicts operating profits of around SKr2bn this year, was financially able to extend the loan to Forsta Sparbanken. Sparbanksgruppen is the biggest banking group in Sweden, with assets of SKr400bn.

The problems at Forsta Sparbanken became apparent earlier this year when it announced that it had lost SKr100m due to credit losses of SKr777m for 1990.

The bank's senior management resigned after the Bank Inspection Board criticised its lending to several finance companies that went bankrupt.

The government decided on the rescue effort after banking authorities reviewed Forsta Sparbanken's results for the first eight months and found that bad property loans threatened to eliminate its equity and leave it with a deficit of SKr900m. The government was informed on Friday and helped to arrange the emergency financing package before news of the losses leaked out.

European force idea 'not an alternative to Nato'

By Our Foreign Staff

FRANCO-GERMAN proposals to forge a common European defence force drew hostility and suspicion from Britain and a cautious reaction from the US yesterday, although Germany insisted that the proposals were not intended to set up an alternative structure outside Nato.

The plan was unveiled yesterday in Bonn and Paris. It calls for the existing Western European Union (WEU) which brings together nine European members of Nato, to be expanded and brought in effect under the political umbrella of the European Community.

The plan, expanding on Franco-German ideas first announced nearly four years ago, forms part of the political sparring ahead of crucial EC and Nato summits on political and security co-operation towards the end of this year.

It calls for the existing Franco-German brigade, a modest unit of some 4,000 men, to be built on as the core of a future "European corps."

French and German officials have been dismayed at the prominence given to this suggestion, which is appended almost as an afterthought to the Kohl-Mitterrand letter, and is not directly relevant to the European political union negotiations which are supposed to conclude in December.

Mr Jean Musitelli, spokesman for the French presidency, said the size – which he insisted was not the 100,000 many had deduced – as well as the composition and the basing of an enlarged force, were details still being studied by the two governments, and which might be elaborated further at the next Franco-German summit a month from now.

"This is not an objective for the [December summit at] Maastricht", he said.

Mr Douglas Hurd, UK foreign secretary, in a statement setting out Britain's traditional fears that European initiatives in this field could lower US involvement in European security, said the Franco-German plan could end up "duplicating" Nato defence efforts.

Mr Hurd, attending the Commonwealth heads of government conference in Harare, said: "We don't believe there is any point – and some danger indeed – in duplicating what Nato does and what the members of Nato decided should be renewed and continued."

British officials said the proposals showed that the French government had spurned the "olive branch" offered by an

Continued on Page 20

Background, Page 2
Observer, Page 18

Vietnamese protest against forcible repatriation at the Whitehead detention centre in Hong Kong yesterday. In Hanoi, Britain and Vietnam failed to sign an expected agreement on repatriation because, according to a Vietnamese official, more time was needed to prepare for accepting returnees

IMF warned of impending chaos in Soviet Union

By Stephen Fidler and Peter Norman in Bangkok and Leyla Boulton in Moscow

THE Soviet Union's chief economic policymaker warned yesterday of economic, social and political chaos by the spring if the country's constitutional crisis was not resolved.

Underlining that this collapse was threatened in a nuclear superpower, Mr Grigory Yavlinsky said he did not know whether the country was "moving forward or to hell".

Mr Yavlinsky, deputy chairman of the Committee for the Management of the National Economy, warned that he was not sure that the treaty being negotiated between the Soviet centre and the republics to create an economic community would be realised.

There were three dangers: that the treaty would not be signed; that it would carry unrealistic conditions; or that it would be signed and not fulfilled.

His bleak assessment of the state and the prospects of the Soviet Union cast a pall over the annual meetings in Bangkok of the International Monetary Fund and World Bank, which the Soviets have attended for the first time as associate members.

He said the Soviet government was spending twice as much as it received in revenues, and the individual republics were printing money without any constraint.

In Moscow, Goskomstat, the official statistics agency, said 3.6 times more cash was printed in the first three quarters of this year than the same period of 1990. Incomes rose by 69 per cent while spending increased by 47 per cent. The figures include the newly independent Baltic states, which still use the rouble.

Excluding the Baltics, the latest and ever grim statistics showed that gross national product fell by 12 per cent in the first nine months. Goskomstat also reported a continuing contraction in foreign trade, with exports down 30.3 per cent.

Industrial output fell 6.4 per cent. Consumer goods and services available to the population contracted by 17 per cent.

Underlining a concern ahead of what is expected to be a tough winter, Goskomstat said grain harvested over the period totalled 160m tonnes, down 25 per cent from the previous year.

A document Mr Yavlinksy presented to the Group of Seven leading industrial nations at the weekend estimated that the overall budget deficit of the centre and the republics would total Rbs320bn this year.

The Soviet Union had been using up gold reserves to sustain the "rotting system," Mr Yavlinsky said. What he called "usable" reserves – those not pledged as collateral for foreign loans – declined by 700 tonnes in 1989 and 1990 and at the end of this year are expected to stand at only 240 tonnes.

The problems outlined by the Soviet delegation in their talks in Bangkok have convinced many senior western officials that the Soviet Union could break up in disarray.

Senior finance officials of the G7 are due to visit Moscow at the end of next week to meet officials from the Soviet Union and the republics. Mr Yavlinsky said he hoped the visit would force some important decisions.

Reports, Page 6

Auction to bring shake-up in British commercial TV

By Raymond Snoddy in London

BRITAIN'S commercial television industry is facing its biggest shake-up in 36 years, after the announcement yesterday of new 10-year broadcasting franchises beginning on January 1 1993.

Four independent television (ITV) companies are to lose their broadcast licences.

Licences were allocated after a competitive tender combined with an assessment by the Independent Television Commission (ITC) of each bidder's financial and technical ability to provide quality programming. Bidders had to pass the "quality threshold" before their financial offers were considered.

The process produced curious results. Two companies, Central and Scottish, which bid only £2,000 ($3,400) a year to retain their regional franchises won because they were unopposed.

But another, TVS, broadcasting to southern England, lost its licence because the ITC judged that its high bid of £60m compromised its ability to guarantee the required quality.

"It did not appear to the Commission that TVS would be able to maintain its proposed service throughout the licence period," said Mr George Russell, ITC chairman.

Television Southwest, bidding £16.2m, more than double the winning company in its region, failed for the same reason.

Thames Television, the largest ITV company which holds the weekday franchise for the London area, was outbid by Carlton Communications, the British film and television services group which also owns US-based Technicolor. About 1,000 staff will lose their jobs at Thames over the next year.

A further 400 jobs are in jeopardy at TV-am, the national commercial breakfast television company, which was outbid by Sunrise, a consortium including Walt Disney, The Guardian newspaper and two UK television companies which successfully retained their own franchises, London Weekend and Scottish.

Mr Richard Dunn, chief executive of Thames, and a leading lobbyist against the highest bid system hit out bitterly at the ITC's decision. "Cash has beaten quality," said Mr Dunn, who bid £32.7m compared with the £43.2m bid by Carlton.

Mr Bruce Gyngell, chief executive of TV-am, which established commercial breakfast television in the UK, described the outcome as a disaster for broadcasting.

Two of the biggest winners yesterday were London Weekend Television, which bid just £7.59m and Granada, broadcasting to north-west England, which bid just £9m.

They took an enormous gamble and judged correctly that their opponents, North West

Continued on Page 20

Sharp picture emerges, Page 11; Editorial Comment, Page 18; Lex, Page 20
London share prices, Page 31

CONTENTS

Bundesbank head says standby credit likely for Soviet Union

Helmut Schlesinger, head of the German central bank, gave the first official indication that western central banks might help in wide-ranging efforts to assist the Soviet Union with emergency aid. Page 6

MARKETS

STERLING
New York lunchtime:
$1.7088
London:
$1.711 (1.702)
DM2.9125 (2.9125)
FFr9.92 (9.9175)
SFr2.545 (2.5425)
Y222.5 (221.5)
£ index 90.2 (same)

GOLD
New York: Comex Dec
$360.4 (360.1)
London:
$357.27 (358.15)

N SEA OIL (Argus)
Brent 15-day Nov
$22.40 (22.175)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.7045
FFr5.809
SFr1.491
Y129.98
London:
DM1.7020 (1.7115)
FFr5.7975 (5.8275)
SFr1.4875 (1.4935)
Y130.05 (130.2)
$ index 64.9 (same)
Tokyo close:130.02

US lunchtime rates
Fed Funds $6\frac{1}{2}$%
yield: 5.086%
Long Bond:
$102\frac{27}{32}$
yield: 7.869%

STOCK INDICES
FT-SE 100:
2,579.0 (+2.3)
FT Ordinary:
1,980.5 (+7.0)
FT-A All-Share:
1,242.78 (+0.1%)
New York lunchtime:
DJ Ind. Av.
3,037.57 (−3.8)
S&P Comp
390.83 (−0.18)
Tokyo: Nikkei
24,334.67 (+27.02)

LONDON MONEY
3-month interbank:
closing $10\frac{7}{16}$% (same)
Liffe long gilt future:
Dec$94\frac{23}{32}$ ($94\frac{13}{16}$)

German women make their mark in business

By Christopher Parkes in Bonn

GERMAN women, still hampered in their careers by the "kids-and-kitchen" mentality of the average male employer, are emerging as an entrepreneurial class in their own right. According to official statistics, a third of all new businesses in the country are being set up by women. There are now 600,000 female entrepreneurs running their own companies.

At the last count, in 1975, only one in 10 new enterprises had a female founder.

Women are also gaining prominence in the professions and some specialist sectors, but behind the ambitious front-runners lies a majority still in lowly, low-paid jobs.

Almost 11m of the country's 21m women of working age – the highest proportion since the war – go out to work, and the ratio is rising rapidly, according to the government statistics office in Wiesbaden. More than three-quarters of 20-to-25-year-olds have a job.

However, half are still locked into "traditional" careers in secretarial posts, shops and agriculture. And while almost 70 per cent of men take home at least DM1,800 ($1,062) a month, only a quarter of working women can match this. Almost 10 per cent of male university graduates progress to director level in their career, compared with 2 per cent of women.

Draughtswomen and female accountants now outnumber males, occupying 51 per cent and 56 per cent respectively of all such jobs. In the mid-1970s, the proportions were 26 per cent and 46 per cent. Women have also made their mark in advertising, accounting for 35 per cent of the workforce, and public service, where they have 42 per cent of the jobs.

Even so, the route to top positions in government is still difficult. According to Ms Angela Merkel, women's minister and deputy chairman of the CDU, there are no women members among the top advisory groups in five of Bonn's main ministries.

"Progress is too slow," she told the Bundestag in a debate last week, reminding members of government plans to introduce legislation guaranteeing women equal opportunities in the current legislative period. "We must stoke up the equality locomotive."

More industrial jobs to go in east

EAST GERMANY'S state-owned industries will axe more jobs than expected this year, with around 500,000 going by January, the Treuhand privatisation agency said yesterday, Reuter reports from Berlin.

The agency's latest personnel report forecasts a cut in workers to between 1.3m and 1.5m from around 2m at the moment.

Previous estimates had seen a smaller reduction in the region's overmanned industry to around 1.7m workers.

The sackings, triggered by the end of state-funded short time working programmes, will not cause a corresponding rise in unemployment as most dismissed workers will join government work creation and retraining programmes.

The lay-offs are certain to overshadow previous reductions in eastern industry, which has shed workers ever since its once communist run economy merged with the capitalist west last year.

The biggest job cuts to date will occur in the fourth quarter of this year according to company estimates, the report said.

Most of the dismissals will be made in the engineering, textile and shoe industries.

● German justice authorities yesterday widened their probe into the Treuhand by announcing that they were investigating one of its board members for a dubious privatisation deal.

The probe now includes one of the Treuhand's most senior officials, Mr Wolf Klinz, a Justice Ministry spokeswoman said.

Berlin move plan will be ready 'by end of year'

By Christopher Parkes

THE German government has given itself until the end of the year to prepare a grand strategy for parliament's move to Berlin. Chancellor Helmut Kohl, meanwhile, attempted to soothe mounting anxiety in Bonn with assurances that the old capital would remain the country's administrative centre.

"I accept it as a personal responsibility that Bonn and its surrounding area should not be pushed to one side," he told the Bonn chamber of trade yesterday. "We shall soon be clear about which ministries will remain here and which will go to Berlin."

In a cabinet meeting earlier, Mr Kohl and his coalition colleagues reviewed an interim report from a working party set up to address the logistics of the move, and undertook to present a "total concept" by the end of the year.

The report made no mention of timing or costs, and gave no clear indication of how ministries and administrative activity should be divided between the two cities, although it claimed the necessary government buildings could be constructed in Berlin within six to 10 years.

There was also considerable extra infrastructural work to be done, including improving transport links and providing adequate housing in the overcrowded Berlin area.

It proposed, for example, the construction of a high-speed, non-stop rail link between Bonn and Berlin which would cut travelling time to four hours.

Mr Franz Kroppenstedt, a junior interior minister in charge of the working party, offered vague assurances that Bonn would be compensated for the loss of status incurred by the move.

There would be proposals for new functions in the fields of economics, science and culture, he said. The government should use its influence with institutions which were planning to leave.

Yesterday's activities were virtually the first public high-level contributions to the debate since the Bundestag voted to move in June.

They suggest that the government feels tempers in Bonn have cooled enough for the planning to proceed in a less heated atmosphere.

Mines littering the centre of the motorway which links the Croatian capital Zagreb and the town of Karlovac as traffic passes nearby

Kuriles haunt Japan talks with Soviets

By Leyla Boulton in Moscow

DIFFERENCES remained yesterday over the islands snatched by the Soviet Union from Japan at the end of the Second World War, although "90 per cent" of a Soviet-Japanese peace treaty was ready for signing, Mr Andrei Kozyrev, the Russian foreign minister, said yesterday.

A visit by the Japanese foreign minister, Mr Taro Nakayama, who leaves the Soviet Union today, has been painted in glowing but vague terms as one more step towards "normalising" relations with Japan.

Tokyo said it will only sign a treaty formally ending the Second World War when the Soviet Union hands back the four islands of Etorofu, Kunashir, Shikotan, and Habumai.

During Mr Nakayama's visit, the two sides agreed on "confidence-building" measures, including a 30 per cent reduction in the Soviet military presence on the four islands, a lifting of travel restrictions to the islands for Japanese citizens, and joint economic projects.

A special working group, to be headed by Mr Georgy Kunadze, a Russian deputy foreign minister, has been set up to speed up work on the treaty.

A $2.5bn Japanese aid package for the Soviet Union has helped improve the climate for these talks even though Moscow has gone out of its way to say there is "no linkage" between the islands and the cash.

Mr Vitaly Churkin, a spokesman for the Soviet Foreign Ministry, declined yesterday to suggest when a treaty might be signed.

Paris hears cry of pain from the provinces

By William Dawkins in Paris

THE French government yesterday came under attack from across the political spectrum for not doing enough to halt the economic decline of poorer towns.

The criticisms came as the Socialist government tabled details of its FFr7.5bn (£750m) job-creation plan and follow the politically damaging resignation of one of France's most senior Socialist mayors, Mr Roger Quilliot. He is a former housing minister and close adviser on local matters to President François Mitterrand.

Mr Quilliot resigned as mayor of Clermont Ferrand on Monday evening protesting that his town was "condemned to a slow death by the indifference of the public authorities" to economic problems caused by the continued loss of jobs at Michelin, its main employer.

His move was followed by a call from Mr Valéry Giscard d'Estaing for more powers to be shifted from central government to the regions. The former French president is also president of the regional council of Auvergne, which includes Clermont Ferrand. Opposition politicians and other mayors in towns with similar problems voiced support and sympathy for Mr Quilliot, who yesterday met Mr Mitterrand.

The government is already worried by the continuing economic dominance of the Paris region, where half of all new jobs have been created since 1982, despite decentralisation measures implemented over the past decade. Attempting to give a fresh push to decentralisation, the government recently announced plans to move 30,000 jobs out of Paris in the next 10 years and has forbidden ministries to open new offices in the capital.

The plans published yesterday to tackle the politically related problem of rising unemployment – now at 9.5 per cent – will exempt employers of unqualified young people from social security payments and give tax breaks to households that employ personal services, from babysitting to care for the aged.

The Franco-German proposals for a Community defence force

Europeans called to join ranks

By David Buchan in Brussels

THE SUBSTANCE of the Franco-German plan to create a European defence force, announced yesterday in Paris and Bonn, is amitious. But its tone is conciliatory to the Dutch presidency of the European Community and to countries like Britain and Italy which have presented a more pro-Nato alternative plan.

The Kohl-Mitterrand proposal would create a European corps based on an existing Franco-German brigade and transform the nine-nation Western European Union into an EC defence organisation.

The French and German leaders, in their letter to Mr Ruud Lubbers, prime minister of the Netherlands, the current EC president, express their appreciation for the way he and his government have been working to get agreement on political and monetary union at Maastricht in December.

On the central issue of a common foreign and security policy, they note how discussion "has significantly advanced during the course of this year, thanks to various contributions, of which the latest is the Anglo-Italian joint declaration".

However, they go on to say that "the Europeans must clearly show, by concrete decisions and institutional measures, that they want to take on bigger security and defence responsibilities". So to give the EC debate "a new impulsion", they propose:

● Treaty language which would commit the EC to implementing "a common foreign and security policy which will include eventual common defence". The Community would deal with defence "wholly or partially" through the Western European Union (WEU) "which is an integral part of the process of European union". This would "not affect" states' existing obligations to Nato. These treaty articles would be reviewed in 1996.

● A list of areas where the Twelve should henceforth commit themselves to joint action. These are: relations with the Soviet Union, eastern Europe, the US, the Middle East and the Mediterranean region; action in the United Nations and other international bodies; and participation in arms control, nuclear non-proliferation and international peace-keeping. Such "common action" lists have been bandied around all year. The main Franco-German innovation is to include policy towards the Middle East, a divisive issue in the past.

● A declaration on the WEU which would invite all EC members to take some part in the defence body, and keep the European Commission informed about its work. The WEU would be linked to the EC by moving it to Brussels and synchronising its meetings with those of the Community. It would have a permanent planning staff, an arms agency and troops answerable to it. It would also co-operate with Nato, whose work it would "complement". WEU members would co-ordinate their stance within Nato, and the organisation would have diplomatic contacts with east European countries, as Nato does.

The plan's most striking aspect comes in its last paragraph, which says that a reinforced Franco-German brigade "could become the kernel of a European corps that could include the forces of other WEU members". No restriction is placed on where such a corps might act. By contrast, the Anglo-Italian plan suggested an "antonomous" European force, "separate from the Nato structure" but acting only outside the Nato area.

Political changes first, says Bonn

By Quentin Peel in Bonn

THE IDEA of a European corps of troops, based on the existing joint Franco-German brigade, is a relatively modest and long-term ambition to provide real substance for the concept of defence co-operation under the umbrella of European political union, senior German officials said yesterday.

They insisted that the first stage of the process should be to create the necessary political structures: to integrate the Western European Union into the European political union structure. That change is likely to be the most contentious for Britain, along with other Nato members such as Italy and the Netherlands, which see the WEU as a bridge between the EC and Nato, not as falling under one side or the other.

In the end, the more obviously sensational idea of a joint European force may prove less divisive.

The German officials yesterday dismissed initial reports of a "European army" containing up to 100,000 men as "completely false", stressing that no numbers had been seriously discussed. However, they emphasised that a "corps" in France means 20,000-25,000 men, and in Germany up to 40,000.

At the same time the German side insists that the troops it contributes to the force would remain "basically Nato troops", and that they would be transferred only with the approval of the Nato alliance. "This is nothing outside Nato, but something to strengthen Nato in case of defence," one official said.

Bonn officials are clearly anxious to reassure their Nato allies that the whole plan is not a French-inspired ploy to counterbalance the US leadership of the western alliance. "It is to provide a European pillar in the alliance," one senior adviser said. "The Americans have accepted this."

The Germans say that a joint European force would be bound by the same sort of secret agreement which governs French troops stationed in Germany: that they will fall under Nato command for all defensive purposes. Whether France is prepared to admit to such a secret agreement is more doubtful.

While the suggestion of using such a corps as a peace-keeping force is described as "the long-term future," there is no doubt that such a scenario is in German minds. "We will have certain situations where it will not be Nato," an official said. "Then it will only be WEU. Look at the Yugoslav case: there was no agreement of Nato. The Americans said to the Europeans: Do it yourselves. So then it would be WEU."

The present Franco-German brigade of 4,000 men, stationed in Baden-Württemberg, is proposed as the core of the future force, and that falls clearly outside Nato. The German contingent is made up of the German territorial army, not the fully-fledged Bundeswehr which belongs to Nato. However, the Germany army is now being reorganised to amalgamate the "territorial" with the "field" army, so that distinction will become irrelevant.

Mr Dieter Vogel, the German government spokesman, said yesterday that France had proposed stationing the future force in Strasbourg, and Germany was happy to agree. Neither side seems to have focused on the uproar that stationing German troops in Alsace might cause in France.

The whole plan was clearly negotiated directly between the Elysée in Paris and the Chancellor's office in Bonn, excluding any substantial input either from the Foreign or Defence ministries. Indeed, the French ambassador in Bonn was entirely unaware on Tuesday night that the announcement was scheduled for yesterday, and very few German Foreign Ministry officials had bothered to read it in advance. Senior Defence Ministry officials also professed ignorance.

Those who were involved dismiss one other potential German problem with the proposed force – the question of whether, under the German constitution, its soldiers can serve outside its area.

"That is distinction is out of date," a senior official said yesterday. It would help if the force was clearly designated as "European", but if the use of such troops "out of area" was challenged, government officials are increasingly confident that the courts would decide in their favour.

Haughey lashes out at critics

By Tim Coone in Dublin

IRELAND'S prime minister, Mr Charles Haughey, lashed out at his critics yesterday accusing them of "character assassination". Speaking in parliament, which was debating met a motion of confidence in his coalition government, he defended his administration's record and its handling of a recent spate of financial controversies. The latter have resulted in four heads of state-run bodies resigning over the past month.

Mr Haughey attacked the "reprehensible behaviour of a small number of people in the business sector", and claimed there had been a "totally unjustified attempt.... to blame the government when there was clearly no ministerial involvement".

"Where is there any evidence of wrong-doing by any member of this government?" he asked.

A series of governmental inquiries are presently under way into the controversies which concern share dealings in the formerly state-run Greencore (formerly Irish Sugar); a property deal for the headquarters of Telecom Eireann, the state-run telecommunications company; and alleged fraud, malpractice and political favouritism in the beef industry.

Brussels seeks to clear the way for Community road haulage companies

By Andrew Hill in Brussels

ROAD HAULAGE companies will be able to offer unrestricted services throughout the European Community from the beginning of 1993 under draft legislation agreed yesterday by the European Commission.

The proposed regulation on road cabotage is aimed at opening up a genuine single market in road transport and would allow trucks to make a delivery in another member state and pick up goods for delivery on the return journey as well.

Mr Karel Van Miert, the EC transport commissioner, said yesterday: "One of the reasons why we have traffic congestion is that about a third of the lorries on the road are returning home empty – we're trying to reduce that."

Last year, the Commission introduced a system of licences which allowed a limited number of road hauliers to ply their trade across the Community. Although some member states protested about the possibility of market disruption, Commission officials said yesterday that the actual effect on national transport markets was minimal.

As an initial safeguard against serious market disruption, cabotage will be limited to 5 per cent of national markets in 1993 under the new legislation.

This ceiling will be gradually raised until 1995 when it will be removed completely. Member states will, however, have the right to apply for temporary restrictions if they can convince Commission experts that a particular regional market is suffering because of competition from foreign truck companies.

In Germany, which experienced the largest increase in cabotage last year, foreign haulage contracts still represent only 0.5 per cent of the total market, according to the Commission, and only 0.1 per cent in other member states.

● The Commission yesterday agreed a draft directive which would free EC pension funds from national restrictions on where and how they invest their assets.

The measure, which still needs to be approved by member states, also imposes obligations on pension funds to maintain balanced portfolios of assets and to take into account the security, quality, liquidity and profitability of their investments.

Sir Leon Brittan, the EC financial services commissioner, said the legislation was a step towards further measures which would give consumers the opportunity to transfer pension plans around the Community without penalty.

Such legislation would underpin the Commission's objective of free movement of labour after 1992, although Sir Leon conceded that it might be "difficult to reconcile with some national supplementary pension arrangements".

Pledge on Armenian independence

THE politician expected to become Armenia's first president yesterday pledged to lead the Soviet republic to full independence as his countrymen voted in elections, Reuter reports from Yerevan.

Mr Levon Ter-Petrosyan, who has led the republic's 3.5m people for the last year as parliamentary chairman, said after casting his ballot: "Armenia is firmly resolved to win full political independence."

An easy victory is predicted for Mr Ter-Petrosyan who was backed by nearly three quarters of voters in the last opinion poll. Supporters of Mr Paruir Hairikyan, a radical running second in the polls, were said to have already conceded defeat.

In a referendum last month, an overwhelming 99.3 per cent of the electorate voted for the restoration of the independence which the predominantly Christian nation briefly enjoyed from 1918 to 1920.

Mr Hairikyan, a former political prisoner who returned from exile in the US to fight the election, says his supporters suffered intimidation during the campaign and has accused Mr Ter-Petrosyan of trying to rebuild a totalitarian state.

Officials said that by early evening about 60 per cent of voters had cast their ballots. Voting stations were due to stay open until 10pm.

Armenia, a Christian nation surrounded by Moslem neighbours – Turkey, Iran and Azerbaijan – has often looked to Moscow for protection in its long history of invasion and occupation.

Italy's rebel unions start strikes

By Robert Graham in Rome

REBEL Italian trade unionists in strategic sectors of the economy have begun a series of work stoppages this week to reinforce their bargaining position with the three main union confederations.

Train drivers stopped work for nine hours yesterday; today and Saturday a two-hour stoppage is planned by air traffic controllers; and Alitalia cabin crew will strike for 24 hours tomorrow.

These actions reflect the growing fragmentation of the union movement, which traditionally has been dominated by three confederations: the Communist-Socialist CGIL, the Christian Democrat CSIL and the Social Democrat UIL. Groups of workers in strategic sectors began forming their own committees, the so-called Cobas, in the early eighties, believing they could obtain better deals on pay and conditions.

The rebel air traffic controllers' organisation, Licta, formed in 1989, claims to represent a third of the 1,500 specialists in the sector.

Their short strike is part of a continuing battle to obtain improved technology and working conditions in the wake of the 1979 demilitarisation of air traffic controllers. Licta is also opposing the national contract negotiated for the sector by the three confederations. The rebels have agreed, however, to comply with new legislation obliging them to provide essential services.

The train drivers went on strike on Tuesday to ensure that a preliminary agreement on wages and conditions they negotiated last month with the management of the state-run railways was not overturned by national negotiations by the three confederations.

The rebels claim to account for almost 70 per cent of the workforce. According to the railways, only 45 per cent observed the stoppage; the rebels claimed 84 per cent.

Protesters get short shrift in Tatarstan

THE parliament of Soviet Tatarstan adjourned indefinitely yesterday in protest against demonstrators demanding independence from Moscow, Tass said, Reuter reports from Moscow.

The parliament of the autonomous republic, a major industrial centre on the Volga river, reluctantly wrote the independence issue onto its agenda this week after fights between 2,000 demonstrators and police in Kazan, the capital.

But the demonstrators reassembled in Freedom Square yesterday and legislators said they would not discuss sovereignty under pressure.

The Financial Times (Europe) Ltd. Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Albanian troops in new clash with asylum-seekers

ALBANIAN security forces fought with thousands of people trying to flee the impoverished former communist country by ship, Albanian television reported yesterday, Reuter reports from Tirana.

It said 10 soldiers and two civilians were injured in the fighting on Tuesday between asylum-seekers and security forces who fired shots in the south-west port of Vlora.

In the western port of Durres four persons carrying guns were arrested by police who were called in to prevent a similar attempt by crowds to leave the country. the television said.

The clashes prevented the unloading of foreign aid from ships.

About 500 people who had arrived at the port from various towns were sent home and order was apparently restored. "The city seems quiet," an eyewitness in Durres said. But security forces said they were ready to get tough.

"The forces of law and order will take strong action against all those attempting to storm the ports," the Ministry of Public Order warned.

Last March, amid the political chaos which followed the collapse of Stalinist rule in Albania, Europe's poorest state, a major refugee crisis erupted when 20,000 Albanians invaded ships and forced the crews to sail across the Adriatic Sea to Italy.

A further 20,000 refugees fled to Italy by ship in August from Durres and Vlora but were sent back to Albania by the Italian authorities.

The threat of a new exodus forced Mr Torquato Cardilli, the Italian ambassador to Tirana, to make a television appeal urging would-be refugees not to follow the example of the 40,000 Albanians who crossed the Adriatic in several waves early this year.

"I had to go on national television and tell people that there was simply not enough room for any more refugees in Italy," the ambassador said.

Mr Ilir Bocka, the Albanian deputy foreign minister, said the latest incidents in Vlora were due to the impatience of Albanian youth.

"They want everything at once and they are not willing to wait. But I do not think there is any political significance in this," he said.

Latvians agonise over their Russian problem

The newly-free Baltic state is threatening to deny citizenship to its large Russian minority, reports Gillian Tett in Riga

WHEN Mr Andrejs Pantalejevs, a Latvian politician of Latvian and Russian parents, applied for a Soviet passport back in the 1970s, he was offered a choice between Latvian or Russian nationality. He opted for Latvian – an act deemed so "nationalist" by the Brezhnevite authorities in Riga that Mr Pantalejevs' Russian father lost his job.

Fourteen years later, the tables have turned. As head of the Latvian parliamentary committee for minorities, Mr Pantalejevs presides over the explosive question of whether Latvia's non-Latvian, mostly Russian, population should be granted citizenship in independent Latvia.

The issue is now dominating – if not paralysing – the politics of post-Soviet Latvia.

With 48 per cent of Latvia's 2.7m population officially non-Latvian, their future status has implications not just for Latvia, but also for other former Soviet republics, which are soon to decide the status of their "immigrant" communities. In Estonia, which is also debating the citizenship issue, 40 per cent of the population are non-Estonian.

Most of Latvia's Russian-speaking population arrived after Soviet annexation in 1940, drafted in – often involuntarily – to work in military complexes and industries. Their arrival was interpreted by many Latvians, as elsewhere in the Soviet Union, as a form of Russian colonisation. "Latvians feel they've become a minority in their own land," says Mr Pantalejevs.

In response to these fears, Latvian nationalists have demonstrated in Riga this week demanding that these "immigrants" should either leave, or, at the least, be refused citizenship.

Other Latvian leaders, though, recognising that this hard-line stance does not sit well with Latvia's attempt to build a democratic image – and reluctant to create a situation where a third of the population would be "foreign" citizens – call instead for more gradual controls.

Under a draft proposal due to be discussed by the Latvian parliament this week, an estimated 200,000 non-Latvians who have lived in Latvia for more than 16 years, who have a "conversational" knowledge of the Latvian language (25 per cent of non-Latvians officially speak Latvian) and swear loyalty to the state will be offered citizenship.

This proposal, though, leaves the Russian population increasingly resentful. They generally favour extending citizenship to all existing residents. Although it is unclear what proportion want to become Latvian citizens, many are reluctant to return to a Russia where living standards are markedly worse than in the Baltic states.

The issue seems unlikely to be resolved rapidly even though the Latvian government has met repeatedly in recent weeks to draft and redraft proposals.

One delaying factor is the continuing confusion in Moscow itself. Latvians have noted with concern statements from Russian leaders promising to protect ethnic Russians in former Soviet republics and are cautious of antagonising their newly-established diplomatic relations with Russia.

Another factor though, is the distinctly fragile nature of Latvia's own parliamentary apparatus. As Mr Dainis Ivans, the deputy president, admits, the citizenship issue is providing Latvian politicians with a chance to cut their political teeth in post-Soviet Latvia.

"All this is the beginning of normal democratic debate," he says optimistically, nevertheless conceding that the dispute threatens to eclipse other areas of badly-needed economic and political reform.

Key bills on privatisation and foreign investment have yet to be passed by parliament. Reform of Latvia's two chambered parliamentary system – one chamber is elected by Latvian residents, the second by descendants of 1940s citizens – is being delayed until the citizenship issue is resolved.

And parliamentary elections have been postponed indefinitely, while the Latvian leaders attempt to decide not just who should vote in the elections – but also whether either of the existing parliamentary chambers has the authority to take a decision about the issue in the first place.

Russians protesting at Latvia's move to independence

Uzbeks stick to the orthodox communist path

Ariane Genillard and Anthony Robinson see no political changes since the abortive Soviet coup

THE abortive August coup which swept away central Soviet power also brought "independence" to Uzbekistan, one of the five central Asian republics. But the same conservative communist leadership remains in power and "independence" pivots around re-negotiating economic ties with Russia and the other republics rather than experiments with democracy.

Under Moscow's control, Uzbekistan became the main source of cotton, producing 65 per cent of the entire Soviet crop. But this meant diverting rivers and over-use of fertilisers which led to appalling ecological and health consequences, including dessication of the Aral sea and severe respiratory problems from wind-blown pollutants.

Cotton mono-culture also increased dependence on other Soviet republics for food and other products which could have been produced locally.

Of even greater significance is the republic's status as a major gold producer, producing up to a third of the Soviet total, according to Mr Islam Karimov, the Uzbek president.

Its contribution to a declining total Soviet gold production has risen in recent years as output from relatively new Uzbek mines such as Muruntau has held up better than declining output from older mines in the Soviet far east.

Now the republic's leaders are seeking a better deal. According to Mr Khazan Igamberdiev, director of the republic's gold production company, Uzbekistan received only 20 cents on every dollar earned from the sale of gold from mines which were under Moscow's direct control.

Uranium from the same region was similarly exploited by the military.

> **"Independence here is at best the independence of the leadership" — Mr Abdulahim Pulatov, a leader of the semi-legal Uzbekistan opposition movement, Birlik.**

"After independence, not an ounce of gold will go to Moscow any longer," he says, although in practice this means re-negotiating the terms with Moscow which still has a monopoly on gold trading, and other republics which invested in the mines as an all-union venture.

As for cotton, Mr Muhammed Janov, former agriculture minister, complains that while the world price for cotton lint was around $1,800 a tonne, the republic was paid just Rbs 1,600 a tonne by Moscow. Now, according to President Karimov, this must change. "For decades, Russia has required that we remain a simple supplier of raw materials. As of September 1, our independence day, this has changed," he says.

But re-drawing the economic map will not be easy. The low price Uzbekistan received for its exports was partially compensated for by the low prices paid for the grain, energy and other imports from Russia and other parts of the Soviet Union. Moscow also subsidised 30 per cent of the republic's budget.

The new economic relations now under discussion "will be more a matter of price bargaining than of economic blackmail," says Mr Karimov who, while attacking Moscow's old colonial attitudes, is ready to join a new Soviet confederation of sovereign republics.

Meanwhile, Uzbekistan's recently declared independence is unlikely to bring major democratic reforms. The Uzbek president criticised Moscow's effective disbandment of the communist party. "Is it better to leave everyone on their own or lead the people who have faith in you?" asks Mr Karimov rhetorically, to underline his intention of continuing to rule with a firm hand.

The Uzbek Communist Party renamed itself the People's Democratic Party. "But the transition between the two parties will be smooth," says Mr Karimov, who is quick to reject any idea of dismantling the local communist administrations.

"Independence here is at best the independence of the leadership," explains Mr Abdulahim Pulatov, one of the leaders of the semi-illegal opposition movement, Birlik. A law preventing political gatherings of more than three persons is still in place, he adds. While opposition parties are theoretically able to register, Birlik leaders claim that administrative red tape has prevented them from doing so.

Mr Karimov says the law on political gatherings will be lifted after the parliamentary elections, which may take place next year. "For the time being, we have only one goal: to improve the standard of living which is half the Russian level. And we are ready to pay any price for this," he says.

But with memories still fresh of the ethnic riots of June 1990, in which 300 people died in clashes between Uzbeks and Kirghiz in the east of the republic, Mr Karimov justifies his caution with the need to preserve a delicate ethnic balance.

"We have to act very carefully or otherwise a social explosion will blast everybody – communists, Bolsheviks and Mensheviks alike," he warns.

Bush and Gorbachev may open Mideast talks

By Hugh Carnegy in Jerusalem, Lamis Andoni in Amman and Tony Walker in Cairo

PRESIDENT George Bush and President Mikhail Gorbachev may open the proposed Middle East peace conference, the White House said yesterday.

White House spokesman Marlin Fitzwater, asked if the two leaders would open talks that officials hope to begin on October 29 in Lausanne, Switzerland, said: "Certainly that's possible.

"President Bush and President Gorbachev have both been involved in trying to expedite this conference and trying to push it forward as much as possible."

Meanwhile Mr Farouq al-Sharaa, the Syrian foreign minister, said yesterday he would not shake hands with his Israeli counterpart at the talks because of what he termed "guilty hands which still occupy our land and ignore Palestinian rights".

The remark underlined the difficulties facing Mr James Baker, US secretary of state, on his eighth mission to the region since the Gulf war.

Mr Baker last night emerged from 15 hours of talks with Syrian leaders saying his plan to convene a conference by the end of this month remained on course despite problems.

Mr Baker, behind schedule after two days of marathon talks with Syrian President Hafez al-Assad and his ministers, flew to Jerusalem where

James Baker: peace plan on course

hundreds of Jewish settlers from the occupied territories demonstrated against his mission outside the US consulate.

Mr Baker described his talks in Damascus as positive, but said he had not resolved the question of when in the negotiating progress multilateral Arab-Israeli talks would begin on regional issues such as water resources, the environment and arms control.

Syria does not want to join such talks until its bilateral demand that Israel relinquish the Golan Heights is met.

Syria's stance will reinforce the suspicions of Mr Yitzhak Shamir, the Israeli prime minister, that the country is not prepared for open negotiations with Israel.

The Israelis are seeking – as part of a letter of assurances from Washington before the conference – a commitment that the negotiations will lead to complete peace treaties, not partial agreements based on Israeli territorial concessions.

Mr Shamir is also waiting to see a list of Palestinians who will join a proposed Jordanian-Palestinian delegation to the talks. The hardest task for Mr Baker, who was due to meet Palestinian leaders in Jerusalem, is to allay Mr Shamir's mounting irritation that the Palestine Liberation Organisation has become inextricably involved in the process, against Israeli demands.

Mr Baker's efforts to keep the Israelis in line will be reinforced today by the arrival of Mr Boris Pankin, the Soviet foreign minister. The two will meet Israeli leaders separately.

The PLO was late yesterday still debating whether to approve Palestinian participation in a joint delegation with Jordan at the talks.

The Tunis-based leadership has been angered by what it perceives as the US failure to offer it a face-saving formula, but it finds itself under enormous pressure to sanction Palestinian participation on terms largely dictated by the US.

Likud thrown into ferment as young Begin stakes claim

By Hugh Carnegy in Jerusalem

ISRAEL'S ruling Likud Party was thrown into internal ferment yesterday by an announcement by Mr Binyamin Begin, the son of former Prime Minister Menachem Begin, he would contest the party leadership whenever Mr Yitzhak Shamir, the incumbent premier steps down.

Mr Shamir, who is 76, has given no public indication that he intends to retire. But the unexpected declaration by the popular Mr Begin, 48, sparked speculation about the leadership just as the government prepared to make its final decision on whether to attend a Middle East peace conference brokered by the US.

Earlier this month, Mr Ariel Sharon, the right-wing housing minister who opposes Israeli participation in the conference, said he would contest the party leadership at the next opportunity, before a general election due by November 1992.

He is given little chance of ousting Mr Shamir but would be a leading candidate if the prime minister decided to step down. It was assumed that his main rivals would be Mr Moshe Arens, the defence minister, and Mr David Levy, the foreign minister. Mr Begin – was regarded only as a possible compromise candidate who would not actively seek the leadership.

His declaration has dramatically altered the picture. An extremely popular MP he has the asset of being the heir to Menachem Begin, the enduring hero of Israel's right wing.

The move raises the intriguing prospect that Mr Shamir, deeply sceptical about the peace process but at odds with Mr Sharon and Mr Levy, might pass the mantle to a highly symbolic figure whose commitment not to yield the occupied territories is as entrenched as his own.

● An Israeli military court yesterday sentenced to life imprisonment plus 15 years Sheikh Ahmed Yassin, the founder of Hamas, a Palestinian Moslem fundamentalist group popular in the occupied territories, for his activities in the organisation including the killing of Palestinians accused of collaborating with Israel.

Hamas, started in 1987 in Sheikh Yassin's native Gaza Strip, has grown to be a large and influential underground organisation in the occupied territories, in places rivalling the Palestine Liberation Organisation for mass support.

Governments blamed for hunger

By Nancy Dunne in Washington

THE winner of this year's World Food Prize yesterday said "government cruelty, uninterest, corruption and aggression," rather than natural disasters, must take the blame for the 500m hungry and malnourished children in the world.

Speaking in Washington at ceremonies for World Food Day, Dr Nevin Scrimshaw, director of the United Nations University Food, Nutrition and Human Development Programme, said improved agriculture production could do little to ease the suffering, nor could international assistance eliminate hunger without the "active co-operation" of national governments.

"While drought may sometimes be an exacerbating factor, it is rarely famine's primary cause. As we have seen most recently in Ethiopia, Sudan, Somalia and Iraq it is government actions that result in desperate refugees," he said.

Iron deficiency is the most widespread nutrition problem in the world. More than 40 per cent of the populations of Africa and Asia are anaemic. The condition impairs the learning of children and the performance of workers.

About 50m children in 37 countries are believed to suffer vitamin A deficiency, which leads to blindness and often death. About 1bn people are believed to be at risk from iodine deficiency.

Nigerian rioting leaves 300 dead

By William Keeling

THE Nigerian army has threatened to move in force into the city of Kano, northern Nigeria, after two days of religious riots which have left up to 300 people reported dead.

Fighting started on Monday when up to 12,000 Moslem youths marched through the city protesting at the presence of Mr Reinhard Bonnke, a German Christian evangelist on a missionary tour.

With 3m inhabitants, Kano is the largest city in the mainly Moslem north of Nigeria. Nigeria's population of 115m is divided about evenly between Moslems and Christians.

The protesters are reported to have been angered by Mr Bonnke's visit after a similar tour by an Islamic scholar was banned. Fighting spread to the Christian Sabongari quarter of the city with churches, houses, shops and cars set on fire. Christians yesterday retaliated with at least one mosque alight.

Observers said the main road to the airport was cut off yesterday by the rioting and up to 6,000 people, mainly Christian and from the south of Nigeria, were reported to have sought sanctuary in army and police barracks.

Hospitals have reported a high number of casualties suffering machete, arrow and gun-shot wounds.

The riots are the third of a religious nature in northern Nigeria this year. In April in the worst incident, an estimated 800 people died in the city of Bauchi during inter-religious clashes.

Opposition welcomes Algerian poll

By Francis Ghilès

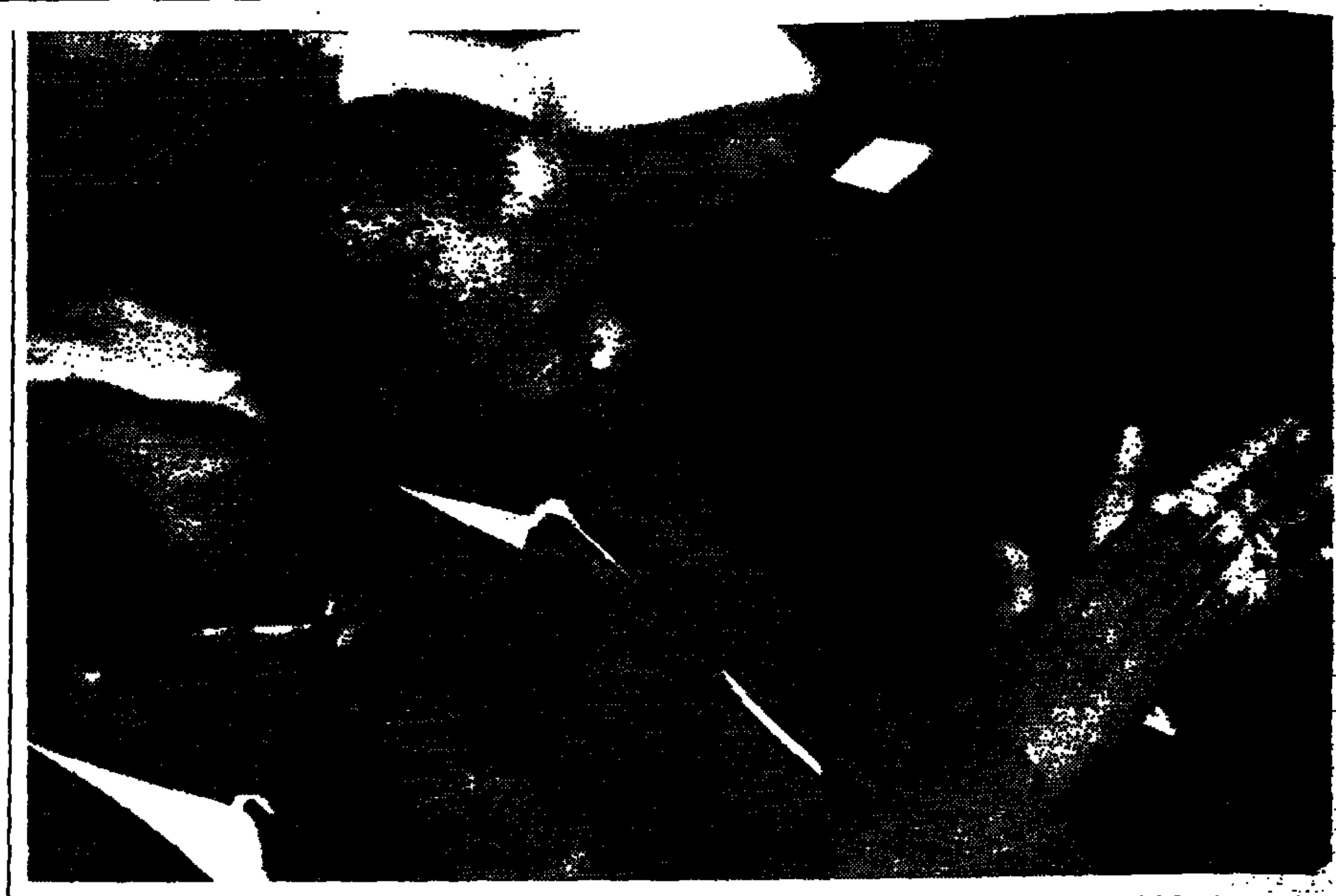
ALGERIA'S two main secular opposition parties have welcomed President Chadli Bendjedid's decision to hold the country's first multi-party elections on December 26.

But both the Front des Forces Socialistes and the Rassemblement Constitutionel pour la Democratie have strongly denounced the electoral law passed on Sunday by the Algerian national assembly, all of whose members belong to the Front de Liberation National (FLN).

They agree with Prime Minister Sid Ahmed Ghozali that the deputies' insistence on the right of men to vote by proxy for their wives on production of a wedding certificate could lead to widespread abuse.

This rule helped the fundamentalist Islamic Salvation Front (FIS) win a majority of town councils in the 1990 local elections. The same rule will help the FLN in Algeria's hinterland where traditional social attitudes hold more strongly than in the coastal cities.

● Professor Hocine Benissad was sacked as minister of the economy yesterday. He had no previous ministerial experience when he was appointed to the job three months ago.



Mr Nelson Mandela, president of the African National Congress, (pictured above) yesterday spoke optimistically about South Africa's peace process, predicted his country's return to the Commonwealth, and played down differences with Britain over sanctions.

Speaking after a lunchtime meeting with Mr John Major, the British premier, the ANC leader refused to be drawn on the sanctions issue. "Whatever difference there may be ... one thing is clear: the UK government and people are the enemies of all forms of racial discrimination."

Asked whether he was satisfied with the pace of political change in South Africa, Mr Mandela said that despite difficulties there had been "solid progress" in talks with Pretoria. "I did not expect it to be faster than it is ...and I am optimistic this progress is going to be maintained".

As soon as the political situation in South Africa was normalised, he said, "I would strongly support our return to the Commonwealth." Mr Major, said Britain was anxious to help prepare for a post-apartheid South Africa.

Campaign to further the cause of democracy and human rights

Commonwealth sets fresh goals

By Robert Mauthner, Diplomatic Editor, in Harare

LEADERS of the Commonwealth – the association grouping Britain and its former colonies – yesterday laid the foundations of a rejuvenated 50-nation body in which a greater respect for democracy and human rights would go hand in hand with a more active world role.

The tone of the week-long Commonwealth heads of government meeting here was set at a colourful opening ceremony in a speech by President Robert Mugabe of Zimbabwe, who said the time had come for member countries "to take a close look at ourselves".

"We are members of the Commonwealth in good faith for as long as we continue to uphold the principles we have proclaimed.

"When we ourselves, individually or collectively betray our own principles, we cannot proclaim ourselves as champions of human rights wherever they are being violated."

The intention to place the themes of good government and human rights at the top of the conference's agenda, was echoed by Mr John Major, the British prime minister.

In a warmly applauded speech, Mr Major said the events in eastern Europe and the Soviet Union had shown that people would not be governed indefinitely by a remote authority. "Most of the world now agrees that democracy and the rule of law are indispensable to a civilised society."

Though Mr Major did not name any specific countries, he made a pointed reference to Commonwealth member states "who have not always applied the values which our organisation represents".

But there was no wish to impose any particular models, he stressed. "Each society will strike its own balance between individual rights and the responsibilities of the state." While South Africa and the problem of sanctions against the Pretoria regime is unlikely to dominate the conference to the same extent that it has in the past, it was clear from yesterday's speeches that it remains a subject of concern.

President Mugabe, who warmly welcomed Mr Sam Nujoma of Namibia as the head of the latest state to join the Commonwealth, said he hoped the message which the conference would send to South Africa would make it clear that there was no credible alternative to dialogue. "We call upon all South African leaders to put matters in their proper perspective for the sake of their country and to override seemingly irreconcilable minor issues and face the real task of negotiating a new constitution for a free and democratic South Africa," he said.

Mr Major, for his part, looked forward to the day when a non-racial South Africa might want to rejoin the Commonwealth. He recognised, however, there would be many obstacles and setbacks in the way of South Africa becoming a genuinely democratic nation. Mr Mugabe has invited Mr Nelson Mandela, the leader of the African National Congress, to address the conference.

Democracy mixes with the razzmatazz

WITH AN incongruous mixture of rites old and new, the Commonwealth yesterday opened its bi-annual gathering, Michael Holman writes.

In Harare's modern conference centre, a showcase erected after independence in 1980, buxom African ladies ululated, school-girls performed sinuous traditional dances, earthenware pots balanced on their heads, or threshing baskets under their arms.

The tempo changed. High school drum majorettes strutted and pirouetted in front of over 40 Commonwealth leaders to the tune of Colonel Bogey, played by the Zimbabwe police band.

It was a cross between African tradition and the razzmatazz associated with US political party conventions.

President Robert Mugabe, Zimbabwe's born-again democrat and erstwhile Marxist, took to the podium to proclaim the benefits of good government and human rights, all in keeping with the conference theme.

For some, the new look Commonwealth must have an ironic ring. Looking on impassively was the bulky figure of Mr Joshua Nkomo, Zimbabwe's figurehead vice president.

The wind of change has come too late for the man who has been called the father of African nationalism in Zimbabwe. His party was amalgamated in 1989 with the ruling Zanu-PF more by coercion than persuasion in Mr Mugabe's pursuit of a one-party state.

Some of the leaders on the platform listening to Mr Mugabe, the conference chairman, were born democrats. Some, however, are having democracy thrust upon them.

Zambia's President Kenneth Kaunda was due to return to Lusaka last night to resume the battle for his political life.

Street riots and demonstrations last year forced him to abandon at his country's first multiparty elections for two decades.

Others on the platform have so far not succumbed to the new thinking. Kenya's Daniel arap Moi holds on as leader of a one-party state; Dr Hastings Banda, now in his 90s, keeps Malawi in his thrall.

Bakhtiar murder no bar to cordial ties

France seeks a new ally and trading partner in Iran, Scheherazade Daneshkhu reports

FRANCE and Iran have been trying hard to downplay the potential setback to their relations caused by the murder in Paris of Dr Shahpour Bakhtiar and Mr Soroush Katibeh, his political aide, in August. Neither country would welcome a worsening of relations.

Iran, whose government, or at least a number of its members, is under suspicion for the murder of the liberal opposition leader and the Shah's last prime minister, craves international respectability and foreign credit to allow it to continue reconstruction.

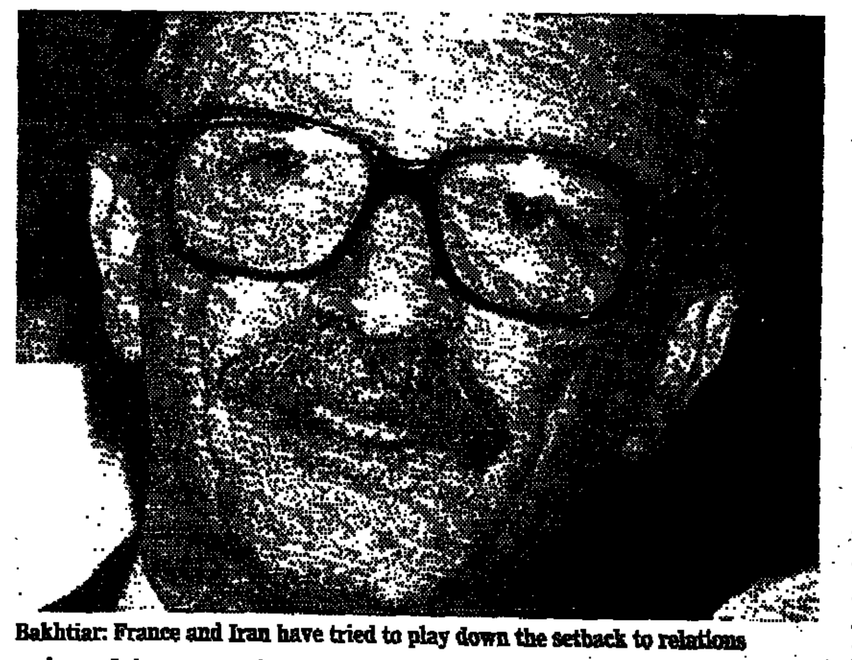
France, for its part, has lost Iraq as its closest Middle East ally and trading partner and as a consequence seen the importance of the Iranian market to its exporters increase. Last year, trade between Iran and France amounted to \$2.2bn.

The investigation into the murder of Mr Bakhtiar has obliged President François Mitterrand reluctantly to postpone his state visit to Iran, planned for this month.

He would be the most senior western leader to visit Iran since its revolution. Mr Roland Dumas, the French foreign minister, has now said that Mr Mitterrand will not be going until an investigation, led by Judge Jean-Louis Bruguiere, is completed – a process expected to take many months.

France has sought to reassure Iran that it is not, for the moment, allowing the Bakhtiar case to jeopardise ties. Relations have steadily improved since they hit their nadir in 1987 when relations were broken off over allegations that an Iranian embassy official was involved in a series of Paris bombings. Relations also took a beating over the French role as leading arms supplier to Iraq during the Iran-Iraq war.

Diplomatic ties were resumed in 1988 and relations improved further after a presidential pardon granting the early release in July 1990 of Mr Anis Naccache, a Lebanese, serving a life sentence for the attempted murder of Mr Bakhtiar in 1980 (an attempt which resulted in the deaths of a French woman neighbour and a police officer). Ironically, Mr Naccache is suspected by Iranian exiles as having played a part in the second, and fatal, assassination bid. Mr Alain Vivien, the secretary of state for foreign affairs, visited Tehran last week to talk about the outstanding contentious issue between the two countries – the repayment of a \$1bn loan made by the Shah to Eurodif, the French nuclear consortium in 1974.



Bakhtiar: France and Iran have tried to play down the setback to relations

France has paid back \$630m but Iran wants the balance – plus another \$1bn in interest. Eurodif and other French companies have similar claims against Iran's Islamic government for abandoning an agreement with the Shah to build a nuclear power station.

The Eurodif case is in the hands of a Swiss arbitration court which moved in the companies' favour earlier this month, by ordering Iran to pay FFr4.1bn (£410,000) as compensation to Framatome, Spie Batignolles, and Alsthom.

That decision is likely to prolong a settlement. This had looked close to resolution in July when Dr Ali Akbar Velayati, the Iranian foreign minister, visited Paris. French reports suggested at the time that the deal was called off after Iran demanded enriched uranium supplies, a claim denied by Dr Velayati.

Economic ties between France and Iran have developed quickly since the end of the Iran-Iraq war in 1988. France has allocated credit worth \$4.6bn for petrochemical projects and the purchase of technical equipment after a visit by Mr Roland Dumas, earlier this year. BNP is raising \$2.6bn medium-term credit facility as part of the deal and \$2.2bn is being raised by a banking pool led by Société-Générale.

In addition, a number of important contracts have been signed this year. Total, the French oil company is to help develop offshore oil fields for the National Iranian Oil Company and agreed in May to a term contract for substantial purchases of Iranian crude. Iran is France's second largest oil supplier after Saudi Arabia.

The Islamic Republic in April signed its largest housing agreement to date with Bouygues, the French conglomerate, for the construction of 30,000 houses and four hospitals. Also in the construction sector, is Fives-Cail Babcock which has three contracts, worth FFr450m to design and deliver kilns and coolers for cement plants.

Technip has a number of contracts to build or restore petrochemical projects, the most recent was in April with a FFr1bn contract to rebuild a gas fractioning plant at the Bandar Khomeini petrochemical complex. It is also designing part of the Tabriz petrochemical complex for an estimated \$450m with its Italian subsidiary, TPL.

Given the scale of mutual economic interests, it is perhaps unsurprising that both sides have tried to sweep the murder of Mr Bakhtiar under the carpet. If the Iranian government is found to have been involved, Franco-Iranian relations would not be the only ones to suffer – the European Community is likely to come under pressure to ostracise Iran too.

Because of such pressures, the outcome of Judge Jean-Louis Bruguiere's investigation will be watched particularly closely by exiled Iranians and the international community.

US seeks $1.5bn Tokyo pledge on super collider

By Steven Butler in Tokyo

THE US has increased pressure on Japan to join in building an $8.5bn (£5bn) high-speed particle accelerator in Texas by putting the issue prominently on the agenda when President George Bush visits Tokyo next month.

Mr Allan Bromley, director of the White House office of science and technology, and Mr Henson Moore, deputy energy secretary, are in Tokyo this week trying to overcome the resistance of Japanese government officials and scientists to pitching in some $1.5bn of equipment, manpower, and cash in order to become a joint owner of the facility.

Mr Moore said the Bush administration saw Japanese participation in the project as an important part of the global partnership between the two countries.

The US has already spent $730m on the project to build the world's largest particle collider, known as the Superconducting Super Collider. Construction has started on a 54-mile long concrete tunnel, which will contain two parallel metal pipes, inside which particles will be accelerated to a high-energy level by superconducting magnets. Scientists will use the collider to study elemental forces in physics.

The US Congress has approved funding for the project, but limited Federal expenditures to two-thirds of the project cost. The State of Texas has contributed $1bn, and the US is hoping to get most of the rest from Japan.

Mr Moore initially put the issue to the Japanese in May last year. The Japanese have given no formal answer but are thought reluctant to go along with the project because it could cut into money available to support basic science at Japanese universities, which are widely seen as under-funded.

"To keep the project on schedule, the Japanese need to make a decision by the end of the year," said Mr Moore yesterday.

Although Mr Moore denied he was placing any time pressure on the Japanese government, officials connected with the project said the time was quickly passing in which the Japanese could participate in a meaningful way in the design of the accelerator.

The US would like the Japanese to become involved in the design and manufacture of superconducting magnets, which in total could cost billions of dollars. Prototypes are already being tested in the US, and meaningful Japanese participation would be impossible after about six months.

Mr Bromley denied that the approach to the Japanese after the project has progressed so far was in any way too late. The issue has none the less acquired the appearance of the US once again trying to tug Japan along to spend money in fulfilling what the US sees as Japan's international responsibilities. Mr Bromley said the US wanted Japan to play a "leading role in basic science and not just technology".

Japan has been criticised in the US for taking commercial advantage of basic scientific research supported by public money in other countries, while failing to establish a strong basic science programme at home.

Mr Bromley proposed the establishment of a fund in Japan, in which the US would participate, that would support basic scientific research at Japanese universities.

Capital crime of dumping in US

Nancy Dunne reports on the trade dangers facing foreign companies

BIG American businesses hold the high ground on a very uneven playing field when they charge competitors with unfairly dumping cheap imports in the US market.

Foreign companies may hire phalanxes of American lawyers to help them prove they are not selling their products at below fair value. But US commerce department officials can almost always find the existence of dumping if they wish.

Dumping may be predatory, but it can mean simply that a product has been sold cheaper just once in the US market than it was sold at home or in a third country. Equally, a product can be sold in the US at twice the price of a similar American product in the US and still be considered dumped. If the US International Trade Commission concludes that competition of this sort hurts US industry, then dumping duties can be levied.

In a new book*, Mr James Bovard describes how US dumping law "routinely expels foreign corporations from the US market as punishment for normal business practices". Between 1980-1989, the Commerce Department found guilty almost all foreign companies accused of dumping.

Until recently only big business could afford the protection of US trade laws. The cost of legal fees for filing a dumping case can run into millions of dollars. A 1988 General Accounting Office report found the average range between $150,000 and $550,000 – more than the profit of many small companies.

Since small business is considered vital to the health of the US economy, Congress in 1988 ordered the establishment of offices in the Commerce Department and the International Trade Commission to provide assistance to small companies.

Since then, six companies have sought relief with the help of the ITC's Trade Remedy Assistance Office (TRAO) in the past two years, and the number of phone inquiries keeps rising.

TRAO this year had its first winner – Wyatt Technology, a Santa Barbara-based, family-owned company producing laser light scattering equipment, which measures the molecular weight of different materials.

The loser was Japan's Otsuka Electronics, a division of Otsuka Pharmaceuticals. After making only four sales in the US, Otsuka finds itself subject to 129 per cent anti-dumping duties.

Mr Geofrey Wyatt, Wyatt's marketing director and son of the founder, is not a lawyer but he spearheaded the case against two of the most eminent law firms in the country – Arnold and Porter of Washington and Irell & Manella of Los Angeles.

His first break was finding the TRAO, which helped him fill out forms, meet filing deadlines and prepare his arguments. His second was a decision by Otsuka not to tie up company personnel by answering Commerce Department requests for reams of data.

When a defendant fails to respond, the Commerce Department finds dumping on the basis of "best information available" – that supplied by the petitioner. It accepted Wyatt's claim that one of the Otsaka transactions was a $45,000 sale in the US of an instrument costing $95,000 in Tokyo.

With a finding of dumping in hand, Mr Wyatt proceeded to the ITC where he succeeded in proving to two commissioners that the industry was "threatened with material injury".

His arguments were dramatic and emotional. His father, he explained, had invented the first commercial laser light scattering instrument in the 1960s and had founded the company with a Defence Small Business Advanced Technology award. It was doing the will of Congress – taking "a concept and bringing it to commercialisation." Every sale is important in an industry like this which sells only a few hundred such devices a year. Each sale has the potential to lead to further sales and to provide financing for research and development.

"Wyatt Technology has worked for eight years to create the right products and the right fields," he argued. "But dumping by our competitors robs us of our opportunities and cheats us of our future."

At stake too, he said, is the future of other small innovative US companies. Then he turned his attack to the opposition which had hired "a stampede of lawyers, a gaggle of economists, posses of hired guns and academics willing to sell their souls for consulting engagements".

Two commissioners bought Otsaka's arguments that the domestic industry is healthy; that import penetration is trivial; that the two products in question differ; and that there were "no lost sales, no underselling and no price suppression or depression".

But two commissioners agreed with Wyatt and a tied vote gives the victory to the petitioners.

**The Fair Trade Fraud: How Congress Pillages the Consumer and Decimates American Competitiveness. James Bovard. St. Martin's Press, New York.*

Texas Instruments ruling pleases all

By Louise Kehoe in San Francisco

IN a landmark US semiconductor trade dispute, both sides yesterday claimed victory when the US International Trade Commission (ITC) issued a preliminary ruling on a complaint filed by Texas Instruments last year against a group of five other American semiconductor companies.

TI accused Analog Devices, Cypress Semiconductor, Integrated Device Technology, LSI Logic and VLSI Technology of unfair trade, based on the claim that these companies manufacture chips in off-shore plants using a packaging process that infringes on a TI patent and then import the products into the US.

The ITC determined, in its preliminary ruling, that the TI patent has been infringed but also ruled that a slightly altered packaging process, which has recently been adopted by the defendant companies, does not infringe TI's patent.

"We are very pleased with the ruling," said Mr Richard Agnich, TI senior vice-president. "We received precisely what we requested from the Commission – a ruling that would stop these five manufacturers from infringing our patented technology." TI said that it will appeal against the ITC decision on the altered packaging process. Four of the defendant companies said, however, that the ruling will mean "business as usual", since they have already circumvented the TI patent.

The trade action marks the first time that this type of ITC complaint has been filed by a US company against fellow-American companies and it has stirred deep bitterness within the semiconductor industry.

Mr T.J. Rodgers, Cypress Semiconductor president and chief executive, charged that TI has misused a statute designed specifically to protect American companies from unfair foreign competition, to harass American companies.

"There is nothing in the ITC statute that limits its jurisdiction to foreign companies," said a TI spokesman, "any such limits would be contrary to the free trade principles of the Gatt".

TI said that the company is simply attempting to protect its intellectual property rights "evenly and fairly". TI won a similar action, based on the same patent, against a group of Japanese and Korean companies in 1986.

The defendant companies, however, claimed that the ITC ruling represents "a victory for American competitiveness".

Polish airline faces suit over jet order

By Christopher Bobinski in Warsaw

MCDONNELL Douglas, the US aircraft maker, is threatening to sue LOT, the Polish airline, for breach of contract. The dispute is over a letter of intent LOT signed with McDonnell Douglas on June 4 this year for the purchase of nine MD-80 aircraft which was later cancelled by the Polish company.

LOT then agreed on a letter of intent with Boeing and is now in the final stages of talks with the Seattle-based company over the delivery of nine 737 aircraft.

McDonnell Douglas contends that its agreement with LOT was "firm and binding" and has written to the Polish airline to urge it to reconsider its decision. Mr John Carroll, a vice president at McDonnell Douglas has informed LOT that a law suit would be filed on October 24.

Mexico says trade accord date delayed

By Damian Fraser in Mexico City

NEGOTIATIONS over the proposed free trade agreement between Mexico, Venezuela and Colombia have progressed slower than expected, and the date for an accord has been postponed indefinitely, according to Mr Jaime Serra Puche, Mexico's trade minister.

Mr Serra, reported in the Mexican newspaper El Financiero, attributed the delay to the failure of Venezuela and Colombia to resolve problems arising from their membership of the Andean pact.

Colombia, Venezuela, Ecuador, Peru and Bolivia, the pact's five members, have recently agreed to form a free trade area with a common tariff in five years. Colombia and Venezuela, said Mr Serra, have to decide whether to negotiate bilaterally with Mexico, or jointly with the pact.

BAe beaten by Boeing in battle for Brazilian sale

By Christina Lamb in Rio de Janeiro

A LONG and bitter battle over the supply of aircraft for one of the world's most lucrative regional air routes was apparently resolved this week with the announcement by Brazil's Civil Aviation Department that it was safe for Boeing 737-300s to use the Santos Dumont airport in the centre of Rio de Janeiro.

The decision means Boeing emerges as victor in its fight with British Aerospace to replace the 14 Electras which fly the shuttle connecting the centres of Brazil's two main cities Rio and São Paulo. The 50-minute shuttle is Brazil's most profitable route carrying 2m passengers a year.

With the 30-year-old Lockheed-built Electras at the end of their life, BAe has been claiming that only its BAe146 could safely use the Santos Dumont airport without extending the runway in a campaign of advertisements headlined "The Natural Successor".

A runway extension is impossible because of the cost and the environmental impact.

But the route's three operators already had Boeings in their fleets and were anxious not to diversify. The two main airlines Varig and Vasp both entered billion-dollar leasing agreements with Boeing late last year.

Boeing were furious at the BAe adverts. Mr Herbert Moura, consultant for Boeing in Rio insisted: "It's absolutely untrue that this is the only plane which can operate without modifications. The 737-300 can operate without any alteration." But Mr Erwing Rosenthal, who represents BAe, said: "The BAe 146 has proved that it is the only aircraft which can land at Santos Dumont without an extension. To use the Boeings would be dangerous."

He accuses Boeing of deliberately altering the operating margins in their manual in order that their aircraft could be used.

To further their cause, BAe leased on favourable terms three BAe-146s to Air Brasil, a new airline operating between Brasília and Belo Horizonte, in order to show off the 146 which was also used to transport Prince Charles on a Brazilian tour earlier this year.

Varig has been happy to let the decision float.

As the owners of the Electras which they rent to the other two operators, sharing maintenance costs, they were keen to use them until the last possible moment.

But businessmen using the route have become increasingly impatient with delays caused by mechanical failure and Vasp was eager for the situation to be resolved, pointing out that it was losing money because of the high rent and operating costs of the Electras while it had its own Boeings ready to operate.

After reconsulting the US Flight Safety Foundation, which five years ago counselled against using jets on the route, the Brazilian authorities have now given the go-ahead for the use of Boeings. Starting next Wednesday they will gradually replace the Electras.

Standby credit likely for Soviet Union

By Peter Norman, Economics Correspondent, in Bangkok

IMF WORLD BANK

WESTERN central banks are prepared to discuss providing a standby credit for the Soviet Union in case it runs out of foreign exchange, Mr Helmut Schlesinger, the Bundesbank president, said yesterday.

The possible facility is one of several measures that could be introduced in the event of the Soviet Union experiencing a liquidity crisis in connection with its external payments.

The existence of an understanding between the Group of Seven leading industrial countries and the Soviet Union to counter possible liquidity problems was confirmed yesterday by Mr Grigory Yavlinsky, the Soviet Union's chief economic policy maker.

"It is possible to say that if a liquidity problem arises, the Soviet Union with the support of the G7 would overcome this problem," he said. "That is a very important result of this meeting," he said.

Yesterday's statements from Mr Yavlinsky and Mr Schlesinger were the first official indications that western central banks might be involved in wide-ranging efforts to help the Soviet Union with emergency financial assistance. The Bundesbank president also confirmed that central banks had discussed creating a safety net for the West European subsidiaries of Vneshekonombank, the Soviet Bank for Foreign Economic Affairs.

Mr Schlesinger told journalists that the condition of Vneshekonombank's foreign subsidiaries was not a matter of immediate concern to the central banks.

He said there were problems during August's coup attempt but the banks were able to service their obligations. He underlined that the Soviet Union had so far serviced all its estimated $60bn of foreign debt.

The G7 is also prepared to give the Soviet Union help in the medium term, provided it resolves its constitutional problems and introduced an effective economic reforms.

Mr Yavlinsky disclosed that a possibility would be a $20bn stabilisation fund for the rouble, to protect it from attack on the foreign exchange markets during the process of turning it into a convertible currency.

Yavlinsky tells how Moscow gold has melted away

By Stephen Fidler in Bangkok

DESPERATION led the Soviet Union sharply to increase gold sales in 1989-90, Mr Grigory Yavlinsky, the Soviet Union's chief economic policy maker, said yesterday. He gave his fullest public explanation of why he believes Soviet gold reserves stand at a fraction of estimates previously accepted in the west.

Usable gold reserves from January 1 next year would stand at only 240 tonnes. He did not explain whether this figure was different from the current level of reserves.

In 1953 gold reserves in the Soviet Union stood at 2,500 tonnes, he said. "Over the last three years, it was clear that we were using something to prop up this rotting system. The best thing for this purpose was gold." Exports of gold in 1989 and 1990 were more than 700 tonnes, he said, suggesting reserves were run down by this amount over the two years.

This would be over and above Soviet gold production, assumed in the west to be around 220-240 tonnes a year.

There is still widespread scepticism about the figures being given by Mr Yavlinsky.

Lamont's sermon has a Soviet theme

By Peter Norman, Economics Correspondent, in Bangkok

NIGEL LAWSON'S ghost stalked the annual meetings of the International Monetary Fund and World Bank yesterday.

Mr Norman Lamont, the UK chancellor, decided to follow the example of his former boss, who in past years would deliver a thoughtful sermon rather than a routine speech to a crowded hall of delegates.

While most governors of the Fund and World Bank focus on their domestic economies and the preoccupations of the two institutions, Mr Lamont avoided both topics and devoted almost all of his discourse to the problems of the Soviet Union.

He underlined that none of the Soviet Union's problems could be solved by large-scale financial assistance from abroad. However, Britain and the G7 would stand ready to help if comprehensive economic reform were enacted.

What the Soviet Union needed was a drastic tightening of fiscal and monetary policy, lower public expenditure, higher taxation and positive real interest rates. Institutional reforms were also vital. But the essential first step was the settlement of economic policy making responsibilities between the Soviet Union and the republics.

Whereas other ministers referred to conditions on their domestic labour markets, the chancellor told the delegates of how he had seen a Kazakh woman selling water melons in Kiev this summer. She had flown thousands of miles to do so. But because internal air transport was so cheap she had only to sell a dozen water melons to make a profit.

The story had a three-fold moral. The Soviet people displayed strong but repressed entrepreneurial instincts. Price distortions, however, led to activities with a negative value added. The Soviet Union needed a service sector to assist the efficient transfer of goods from producer to consumer.

Terry Kirk

Norman Lamont: the parable of the water melons

Britain and China lobby for Hong Kong as host

BRITAIN AND China are seeking support for Hong Kong to be host of the 1997 annual meetings of the International Monetary Fund and World Bank. The meetings that year are scheduled to take place three months after the return of Hong Kong to China.

Both London and Beijing believe that the move would boost business confidence and underline China's intention of maintaining Hong Kong as an important free market financial centre.

Holding the financial world's biggest annual jamboree in the former colony would also boost Hong Kong's economy. This week's meetings have attracted 8,000 visitors to Bangkok and extra business worth an estimated $25m-$40m.

One potential problem is that Singapore issued an invitation to host the IMF and World Bank some years ago and may not wish to yield its place to Hong Kong.

The joint annual meetings are held outside Washington every three years and tend to alternate between Europe and Asia. The 1994 meetings will be in Madrid.

□ □ □ □

A 44 year old dispute between Britain and Albania suddenly landed in the lap of Mr Norman Lamont, the British chancellor, yesterday.

Mr Gramoz Pashko, the Albanian deputy prime minister, and Mr Genc Ruli, the finance minister, raised the issue of 18 tons of gold that they claim belong to Albania and are being held by the Bank of England. The dispute goes back to 1947 when two British destroyers were attacked off the Albanian coast.

The International Court of Justice in the Hague subsequently held Albania responsible for the incident. When Albania refused to pay compensation to the UK, it blocked the return to Tirana of 18 tons of Albanian gold that had been recovered from Nazi Germany.

The chancellor was unable to resolve the stalemate yesterday. But the issue will be back on the government's agenda now that Albania has rejoined the international community after years of isolation. Albania became a member of the IMF and World Bank group on Tuesday.

CONFERENCE DIARY

by Peter Norman, Stephen Fidler and RC Murthy

□ □ □ □

US objections continue to block an agreement to bring Vietnam back into good standing with the International Monetary Fund.

This emerged yesterday after a meeting of 16 countries led by France to discuss proposals to erase Vietnam's $141m of interest arrears with the IMF. Until the arrears are wiped out, Vietnam cannot borrow from the fund.

French officials said, however, that progress was made at the talks despite the lack of a breakthrough. France is trying to assemble a group of friendly countries to cover the arrears.

The US was represented at the talks. However, it has opposed aid for Vietnam until there is a peace settlement in its conflict with Cambodia – possible this month – and until US personnel listed as missing from the Vietnam war are accounted for.

□ □ □ □

Occasions such as these are full of high-flown phrases and communiqués. As often as not the sentiments expressed therein prove to be empty. Take the $1.5bn environmental fund launched at the Houston summit last year, in part to protect the rain forests, particularly in Brazil. Total commitments so far amount to a piffling $50m. Not surprisingly, this is a source of some frustration to the Brazilians.

It suggests, Mr Marcilio Marques Moreira, Brazil's economy minister, said yesterday, a contradiction within governments in the rich world "who preach so much about the environment and the tropical forests and deliver so little."

□ □ □ □

India proposes to borrow again from the IMF's concessional Enhanced Structural Adjustment Facility after abstaining for five years. Mr Manmohan Singh, its finance minister, said yesterday that there was no constitutional or legal bar from borrowing from the facility – which provides cheap loans for poor countries undergoing economic reform.

India's balance of payments deficit is estimated at $9bn this year, $6bn on the current account and $3bn in debt repayments. The IMF is putting together a $2.2bn standby loan programme which is expected to be finalised on October 23, when the IMF managing director Mr Michel Camdessus visits New Delhi on October 23.

Resource lack holds back Brazilian debt restructuring

BRAZIL will remain flexible in its negotiations with commercial banks, but there are constraints on the availability of resources to support a restructuring of its bank debt, Mr Marcilio Marques Moreira, the country's economy minister, said yesterday, Stephen Fidler writes from Bangkok.

Brazil is talking with banks about a restructuring of the debt, totalling about $60bn, on which it is paying 30 per cent of the interest. Mr Moreira has met senior Group of Seven finance officials in Bangkok to promote the proposals, which would give creditors five options aimed at easing the country's debt burden, but the response has been cool. Mr Moreira described it as "supportive yet realistic".

A significant problem for Brazil is that the funding to support a deal with the banks is much less than that available to Mexico, which last year completed a $48bn deal which reduced its debt burden. Funding is needed to provide "enhancements" – guarantees of capital and interest for concession bonds into which the bank debt would be exchanged.

Some commercial bankers say Brazil would need at least $4bn for such enhancements, and Brazil may only have half of that amount.

The government has suggested to banks that enhancements of interest are expensive compared with the benefits they provide to creditors. They argue that in the case of Mexico, that interest guarantees make little difference in the secondary bond market.

Bankers say Mexico, unlike Brazil, has never suspended interest payments and therefore an interest guarantee was more valuable in the Brazilian case.

Democrats fail to beat jobless benefits veto

By **George Graham** in Washington

THE Democrat majority in the US Senate failed yesterday to overcome President George Bush's veto of its proposals to extend unemployment benefits for jobless workers.

The bill, which both Democrats and Republicans have turned into a political test case, received 65 votes, two short of the two-thirds majority required to overturn a presidential veto.

Mr Bush has vetoed 23 bills sent to him by the Democrat-controlled Congress in his three years in office. On 11 occasions Congress has tried to override the veto, but has never yet achieved the necessary majority.

Senate majority leaders had hoped that enough Republicans might be sufficiently sensitive to rising unemployment problems in their home states to join them in overriding the veto. In the end only eight Republicans joined the 57 Democrat senators.

Yesterday, however, was not the most propitious day for winning Republican defections; only the day before the fierce battle over the confirmation of Judge Clarence Thomas to sit on the Supreme Court had deepened the partisan rift. "I'd say it is a bad week [to attempt to override the veto]," said Senator Jim Sasser, a Democrat from Tennessee.

The Democrat legislation would have provided between seven and 20 additional weeks of unemployment benefits to people who had exhausted their basic 26-week entitlement, at a cost estimated at $6.4bn.

The issue could rebound on Mr Bush in next year's election if the economy does not begin to show signs of a more robust recovery.

The president had initially said the benefits extension was unnecessary as the US recession was over. He has since softened this position by agreeing to a more limited benefit extension proposed by Mr Robert Dole, Senate Republican leader, which would be funded by the sell-off of radio airwaves.

Bush nominates new attorney-general

PRESIDENT George Bush yesterday nominated Mr William Barr as attorney-general to fill the post left vacant by Mr Dick Thornburgh, who resigned to run for the Senate. Mr Barr, 41, has been acting attorney-general, Reuter reports from Washington.

The attorney-general heads the US Justice Department and is a member of the cabinet. His appointment requires confirmation by the Senate.

"I have chosen an individual who is a thorough professional, a defender of individual rights, and a person absolutely committed to the fight against crime," Mr Bush said at an awards ceremony for law enforcement officials.

Insiders said the president was impressed by Mr Barr's performance as acting attorney-general, particularly the way he dealt with a prison riot in Alabama.

On Mr Barr's orders federal agents stormed a prison in Talladega, fearing jailed Cuban exiles would start killing hostages, and in three minutes freed all nine hostages.

Mr Barr, who had been deputy attorney-general, was named as acting head of the Justice Department when Mr Thornburgh departed in August.

He served at the Central Intelligence Agency from 1973 to 1977, a period that included Mr Bush's tenure as head of the agency, and was on the White House domestic policy staff when Mr Bush was vice-president.

Senator urges US to soften Gatt line

SENATOR Max Baucus said the US should relax some of its demands for EC agricultural reform to jump-start the stalled global trade talks at the Uruguay Round of the General Agreements on Tariffs and Trade (Gatt), AP-DJ reports from Washington.

Senator Baucus, an influential Democrat, told the National Association of Manufacturers yesterday the US could settle for an agreement that would sharply reduce or eliminate agricultural export subsidies – the most serious problem.

Many of Mr Baucus's proposals appear to constitute a Democratic trade agenda in Congress for the coming year, and would mark a dramatic shift of sentiment away from the Bush administration's call for the EC to sharply reduce or eliminate agriculture export subsidies, domestic price supports and import barriers.

US insistence on an agreement on all three areas, and EC unwillingness to accept those terms has created an impasse for the Gatt round for nearly a year.

Rainforest burning 'worst ever this year'

THE environmentalist group Friends of the Earth said yesterday that 1991 "is likely to become the worst year ever for burnings in the Amazon rainforests", Reuter reports from London.

It said official air and satellite surveys showed between 50,000 and 80,000 fires in the Amazon basin in September, the peak of the burning season, when forests are cleared for farming. Scientists fear their loss will affect climate and wipe out many species.

The Brazilian INPE space research institute believed that the latest fires may also have poured up to 12m tonnes of ash into the atmosphere.

"Governments... continue to fiddle whilst the forests burn," Mr Tony Juniper, of Friends of the Earth, said.

Social democrats likely to inflict humiliating defeat on provincial government

Upset forecast in British Columbia poll

THE provincial election in British Columbia today will underline the unusually volatile state of Canadian politics, writes **Bernard Simon** in Toronto.

Judging by the latest opinion polls, the ruling right-wing Social Credit government will suffer a humiliating defeat at the hands of the social democrat New Democratic party, which last held office 16 years ago. The Liberal party, which has not had a seat in the provincial legislature since 1979, is expected to finish a strong second.

The likely change of government will not only affect the business climate in Canada's most westerly province, but will give a new twist to Prime Minister Brian Mulroney's efforts to work out a deal which persuades Quebec to remain part of the federation.

The debate over Quebec and Mr Mulroney's lack of popularity have contributed to an unprecedented fragmentation of public opinion over the past 18 months. Regional and single-issue groups have mushroomed at the expense of the mainstream parties.

The NDP won a surprise victory in the industrial heartland of Ontario last year. A victory in British Columbia would give it control of two of the country's key provinces. The party, which has only 44 of the 295 seats in the federal House of Commons, is also expected to win an election next week in the prairie province of Saskatchewan.

The party in British Columbia has pledged wider powers for trade unions and to raise corporate taxes. It has assured businessmen, however, that it will pursue moderate economic policies, including a balanced provincial budget.

The NDP in Ontario has recently backtracked on some of its more radical campaign promises after a torrent of criticism from business. It has abandoned plans for a publicly owned car insurance scheme, and delayed the implementation of an environmental bill of rights.

The Liberals, who constitute the main opposition in the federal parliament, were not even a factor in the British Columbia election until their leader, Mr Gordon Wilson, outshone his two rivals in a televised debate last week.

Depending on the number of seats they gain in British Columbia and Saskatchewan, the emergence of the provincial Liberals as a force in western Canada would give the federal Liberal party a badly-needed shot in the arm. It may also siphon some support from the fast-growing Reform party, which has been the main beneficiary of the anti-Mulroney protest vote in the west.

Neighbours rally to Cuba's call

Caribbean states urge lifting of US embargo, writes **Canute James**

Regional allies: Carlos Andrés Pérez (above) has lent his support to calls to end the isolation of Fidel Castro (below)

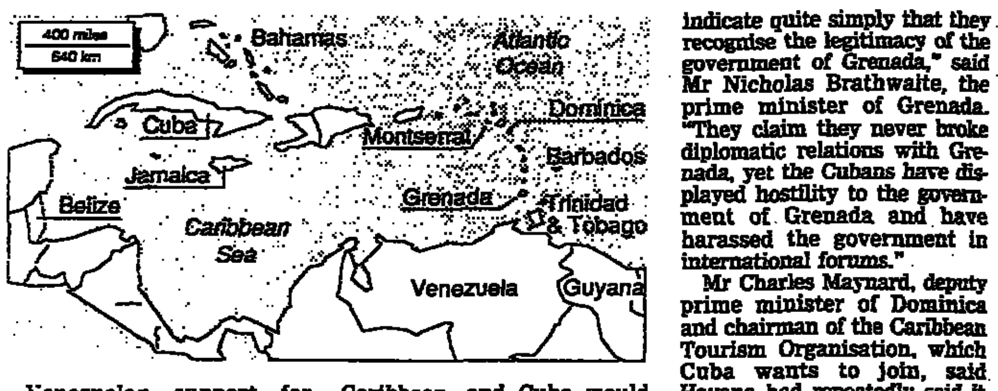
THE CUBAN government, faced with the collapse of the former communist trading bloc Comecon and threats from the Soviet Union to cut its economic lifeline, has turned with some success to its Caribbean neighbours.

For the first time, several Caribbean states are supporting Cuba's calls for an end to the US trade embargo on the island, imposed 30 years ago. Havana, meanwhile, is seeking to become a part of the Caribbean Economic Community (Caricom).

Regional support for lifting the trade embargo, indicated by statements from the Trinidadian and Venezuelan governments, is unlikely to be well received in Washington, despite close links with nations supporting the demand.

Mr Sahadeo Basdeo, Trinidad and Tobago's foreign minister, said: "With all the fundamental changes taking place around the world, we feel the US would wish to undertake a positive review of its policy towards Cuba, a Caribbean nation with which we are tied by more than diplomacy."

He suggested the new relationship between the Soviet Union and Cuba, which "could help to liberalise the process inside Cuba instead of maintaining a siege mentality", offered an opportunity to Washington. His opinion is shared by the governments of Jamaica, Guyana and Barbados.



Venezuelan support for Cuba's position has come from President Carlos Andrés Pérez who said the island was no longer a threat to the US. Mr Pérez added there was no need for Cuba to be punished through isolation but that the Castro government had to open itself to democratic reforms.

The Cubans are likely to consider the regional support just reward for a diplomatic offensive which President Fidel Castro's administration launched last year. High-level delegations from Havana have been turning up at regional economic conferences, arguing for a more prominent place at the table.

Mr Ramon Sanchez Parodi, Cuba's deputy foreign minister, said: "Cuba considers that it is its right, as a Caribbean nation, to participate in the social and economic activities in the region. We have been developing and rebuilding our links with countries in the Caribbean, and Cuba would want to become a part of Caricom, if this were possible.

"We believe there should be a joint approach in the Caribbean to meet new international challenges. Cuba has two options – to be isolated or to integrate."

But Cuba's hopes of widespread regional support are bedevilled by a diplomatic row with Caricom over the recognition of Grenada's government.

The impasse is rooted in the US military invasion of Grenada eight years ago following the overthrow in a palace coup of a government with close links to Havana. The Cuban government refused to recognise an interim administration which ran Grenada for a year following the invasion and the toppling of a junta which had taken over the country. Since then there have been two elected governments.

"We and our friends in the region have asked Cuba to indicate quite simply that they recognise the legitimacy of the government of Grenada," said Mr Nicholas Brathwaite, the prime minister of Grenada. "They claim they never broke diplomatic relations with Grenada, yet the Cubans have displayed hostility to the government of Grenada and have harassed the government in international forums."

Mr Charles Maynard, deputy prime minister of Dominica and chairman of the Caribbean Tourism Organisation, which Cuba wants to join, said Havana had repeatedly said it would recognise Grenada but had not yet done so. "We would prefer not to have Cuba in the CTO until this matter is resolved."

A senior official added Dominica was not ready to support the lifting of the trade embargo and would abstain from any UN vote on the matter.

His remarks would be welcomed in Washington. But Mr Castro's recent statements underlining his adherence to socialism and the apparent resolve of the White House to lift the embargo only when there is an ideological *volte face* by Havana could strain ties between Washington and other Caribbean countries.

It is perhaps in anticipation of this that Mr Basdeo warned: "It would be a mistake for us in this region, for the government of the US and other friendly partners to confuse Cuba with Romania or any of the east European countries."

هكذا في الأصل

Where in the world is the true spirit of enterprise to be found?

1990:
Les Stocker establishes Europe's first wildlife teaching hospital.

1984:
Michel Terrasse reintroduces the griffon vulture to France.

1978:
Bill Lasley discovers how to breed threatened birds in captivity.

1990:
John Asmus uses lasers to restore Qin Dynasty terracotta army.

1978:
Penny Patterson explores the language abilities of the great apes.

1981:
Rodney Jackson uses radio-collars to track Himalayan snow leopards.

1984:
Donald Perry invents a device to aid tropical rain forest research.

1990:
Wayne Moran recreates the sea-voyage of Marco Polo.

1987:
Nancy Nash uses Buddhist teachings to promote conservation in Thailand.

1984:
Martine Fettweis-Viénot records Mayan wall paintings.

1987:
Jacques Antran helps island-dwellers in the Indian Ocean.

1987:
Johan Reinhard studies Andean mountain-top ceremonial sites.

1981:
Milan Mirkovic cultivates jojoba plants in the desert.

1990:
Anita Studer starts reforestation project in Brazil.

1984:
Kenneth Hankinson surveys Brabant Island, Antarctica.

1990:
Suryo Prawiroatmodjo creates an environmental education centre.

The 1993 Rolex Awards for Enterprise.

Ever since their inception in 1976, the Rolex Awards for Enterprise have attracted thousands of applications from all around the world.

Now, once again, we are issuing this worldwide call for entries from people who can demonstrate the true spirit of enterprise in their chosen fields of endeavour.

Enterprise recognised.

The five individuals whose projects most impress the Selection Committee will each receive an award of 50,000 Swiss Francs, together with a specially inscribed gold Rolex chronometer. To date, 25 supremely enterprising people have benefited from these premier awards, while dozens of others have received Honourable Mentions.

A choice of categories.

We are now seeking proposals for original projects that fall within any one of the following categories: Applied Sciences and Invention; Exploration and Discovery; The Environment. Within these three broad categories, the Selection Committee will be looking for projects which not only display the true spirit of enterprise and originality but which are also feasible.

When the results are announced in 1993 a hardback book will be published containing details of many of the best entries.

The publicity given to projects by previous editions has often led to the entrant receiving additional support from a wide range of sources.

How to apply.

To obtain an official application form together with the rules and conditions for entry, write to: The Secretariat, The Rolex Awards for Enterprise, P.O. Box 178, 1211 Geneva 26, Switzerland. The Awards will be presented in Geneva at the end of April 1993.

ROLEX
of Geneva

The 1993 Selection Committee.

Chairman: Mr. André J. Heiniger (Switzerland), Chief Executive Officer and Managing Director of Montres Rolex S.A., Geneva. *Members:* Mr. Charles F. Brush (United States), Anthropologist, Director of the Explorers Club · Mr. Nils Dahlbeck (Sweden), Ecologist, Member of Honour of the International Union for Conservation of Nature · Mr. Joël de Rosnay (France), Scientist, Director of Development and International Relations, Cité des Sciences et de l'Industrie · Dr. Santiago Dexeus (Spain), Gynaecologist, President of the European Society of Gynaecological Oncology · Sir Edmund Hillary (New Zealand), Mountaineer, One-time New Zealand High-Commissioner to India, Nepal and Bangladesh · Professor Heisuke Hironaka (Japan), Mathematician, Chairman of Board of Directors, Japan Association for Mathematical Sciences · Mr. Brian Redhead (Great Britain), Broadcaster, Presenter of BBC radio and television programmes · Mrs. Ruth Seering (Germany), Author, Journalist and photographer · Mr. Ragnar Thorseth (Norway), Seaman, President of Ragnar Thorseth Adventures · Professor Umberto Veronesi (Italy), Surgeon, Director-General of the Italian National Cancer Institute.

UK NEWS

State borrowing running at double level of 1990

By Rachel Johnson, Economics Staff

PUBLIC SECTOR borrowing is running at double last year's levels, as the UK recession has reduced the government's tax-take and raised its spending on unemployment benefits.

According to figures released yesterday by the Central Statistical Office, the public sector borrowing requirement (PSBR) in September totalled £2.9bn, some £1bn higher than the market had expected.

The news knocked a quarter of a point off the prices of government gilt-edged securities, as investors expected an increased supply of gilts on London's bond market to flow from sharply higher borrowing this year and next.

Mr Simon Briscoe, of Greenwell Montagu, said: "It was a double blow to the market – the fiscal position is bad, revenues are worse than expected and it came just before the Autumn Statement (on government expenditure for the year ahead) which is expected to raise spending by £10bn."

It was the half-yearly figures that most graphically revealed the pace at which the UK's fiscal position has worsened during the recession.

In the first half of the financial year the deficit was £10.8bn, exactly double the £5.4bn borrowed over the same period last year. Excluding privatisation proceeds – of which there were almost none in September – the deficit in the first six months of 1991-92 was £14.4bn, compared with £7.1bn the previous year.

The deterioration was mainly in the central government's own account, where the deficit grew by £7.7bn – excluding privatisation proceeds – between April and September compared with the same period last year.

On the expenditure side, outlays were increased by higher unemployment, increased child benefits and other commitments; on the revenue side, receipts fell as a result of lower income tax and corporation tax receipts after last year's fall in profits.

Although the government attributes the swing into deficit to the cyclical effects of the economic slowdown, the pattern of the last few years suggests that its grip on spending has loosened.

In 1988-89 there was a £14.7bn surplus, which had fallen to £500m in 1990-91. Following yesterday's figures, economists expect a likely deficit of at least £10bn in 1991-92, and one of £20bn in 1992-93.

Yesterday's figures mean that the government has already overshot its £7.9bn PSBR forecast for this year. But the Treasury pointed out that it has not yet received the bulk of its privatisation proceeds and the benefit of "front-end loading".

This is the process by which most spending takes place at the beginning of the year and most revenues are collected in the second half.

Tories include further hospitals in controversial health reforms

By Alan Pike and Alison Smith

THE GOVERNMENT decided yesterday to set up nearly 100 more National Health Service trusts next year, signalling a determination to fight aggressively for its health reforms in the forthcoming general election.

Mr William Waldegrave, health secretary, ignoring pleas from opposition parties and the medical profession to slow down, announced that a further 99 trusts would be established in April.

In addition four London teaching hospitals – St Thomas', St Mary's, King's College and St Bartholomew's – have been granted trust status.

But these will not become operational until April 1993, after an inquiry into the reshaping of health care in London.

The trusts, which include community and ambulance services as well as hospitals, will join 57 others established this year. Mr Waldegrave has agreed that 153 more hospitals and health units can seek to become trusts – which are run by their own boards outside direct health authority control – from April 1993.

Trusts, said Mr Waldegrave, represented a necessary modernisation and simplification of health service management, and the "campaign against trusts and against devolved management fostered by the opposition has failed."

The government knows, however, that the opposition will use yesterday's list of trusts to run local campaigns against its health reforms in the election.

Tory backbenchers cheered the health secretary's announcement in the Commons, although one or two expressed some concern about the difficulties likely to face trust hospitals on the experience of the first wave.

Mr Robin Cook, opposition health spokesman, said trust hospitals in the first wave were in deficit in London, Leeds, Liverpool, Sheffield, Crewe, Manchester and Southend, and questioned how the government could take the risk of putting more hospitals into "the same unproven market".

BRITAIN IN BRIEF

Kvaerner Govan wins £44m order

The loss-making Kvaerner Govan shipyard in Glasgow - the last big shipyard on the Clyde - has won a £44m contract to build a 35,500 dwt chemical carrier for J O Odfjell, the Norwegian shipowner.

The award of the contract means the yard's future, and the jobs of its 1,600 employees, are guaranteed until at least 1993. Kvaerner Govan said it hoped to announce further orders before the end of the year.

Under EC-wide shipbuilding subsidy rules, 13 per cent of the cost of building the Govan vessel will be met by British taxpayers. The contract is subject to formal EC approval of the subsidy.

Kvaerner will take a minority interest in all three vessels and collaborate with Odjfell in their operation.

Union report on factory jobs

Job losses in manufacturing industry are accelerating, the Amalgamated Engineering Union says in a report published today.

The union's survey comes as the government is expected to announce a 55,000 increase in unemployment across the economy last month, taking the jobless total to nearly 2.5m. Many economists expect the total to continue to rise, to about 3m by mid-1992.

The AEU has identified 32,271 job losses in manufacturing in the two months to October. That compares with a similar number of job losses tracked in a previous four-month survey earlier this year.

A separate report published by the Labour party says the number of 18 to 24 year olds who are unemployed rose by 54 per cent in the year to July, to 706,620. The study suggests that 1m people of this age group will be without a job, roughly one in three of the expected unemployed total.

5% of directors are women

Less than five per cent of company directors in the UK are women, according to a report published today by the Policy Studies Institute. The report, based largely on a 1989 Hansard Society study of 180 large companies and building societies together with a recent survey of 22 women board members and the 24 chairmen of the companies they serve, says that more women are being appointed to the boardroom.

BC closes Coventry pit

British Coal is to close Coventry colliery, near the village of Keresely in Warwickshire, with the loss of 1,300 jobs, the company announced. The closure, which is the first since the publication last week of the leaked "Rothschild" list of the 14 British Coal pits fit for privatisation, is being interpreted by the local National Union of Mineworkers (NUM) as the harbinger of a government-led program of closures.

Midland first with code

Midland is the first of the UK banks to respond to pressure from the government and small business organisations for the publication of a written code of conduct.

The large UK banks came in for fierce criticism last summer for allegedly failing to reduce rates of interest charged to their small business customers in line with cuts in base rates. The Midland promised in its Business Banking Charter to tell customers how it calculates rates of interest; when charges will be deducted from customers' accounts; and to provide more information on charges and give advance notice of price changes.

SIB rules on insurance

Sellers of insurance-related products will, for the first time, be required to tell potential customers how much of their premium payments will be deducted to cover sales costs and how much will actually be invested on their behalf, under proposals issued yesterday by regulators.

The Securities and Investments Board and the Life Assurance and Unit Trust Regulatory Organization (Lautro) stopped short of requiring sales agents to disclose commission payments at the start of the sales pitch – a move fiercely opposed by the industry. Instead, agents will tell consumers roughly how much total overhead – including commissions and bonuses – will reduce their rate of return.

The Office of Fair Trad'ng and consumer groups have long urged that commissions be disclosed at the point of sale.

Guinness trial: NY rebuttal

A former executive of L.F.Rothschild, a New York investment bank, yesterday denied he tried to make "a quick buck" on dealings in Guinness shares, regardless of LFR's arrangements with Morgan Grenfell, Guinness's principal merchant bank during the 1986 takeover battle for Distillers.

The accusation was made by Mr Roger Seelig, former Morgan Grenfell corporate finance director, during his cross-examination of Mr John Angelo.

Mr Seelig said the essence of the arrangements between the two banks had been that LFR should buy Guinness shares.

Mr Angelo said his interpretation of the arrangements had been that "you were buying Guinness shares for yourself and, as a broker, our concern was really execution, not what your interest was."

Mr Seelig and Lord Spens, former corporate finance managing director at the Henry Ansbacher merchant bank, are jointly charged with conspiring to contravene the 1958 Prevention of Fraud (Investments) Act. Mr Seelig faces another charge under that act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

Barclays gets phone network

Barclays Bank has become the first customer of a BT plan to provide companies with large-scale internal telephone networks linking its HQ with 900 branches.

Manchester named as service leader outside London

Central Manchester: second only to London for financial services, according to survey

Manchester is the main provider of financial and professional services for industry and commerce outside London, according to a survey by Manchester Business School.

The survey said Manchester had the best spread of banking, finance, insurance, legal, accountancy, professional, technical and business services, followed by Edinburgh, Birmingham, Leeds-Bradford, Glasgow and Bristol-Bath.

But the research also showed that concentration of services in London and the south-east is increasing rather than dminishing, in spite of strong regional growth.

Among out-of-London centres, Edinburgh was found to be ahead in fund management, Birmingham in accountancy, Leeds in legal services, Leeds-Bradford in building societies and Bristol in insurance. Glasgow was rated a centre of excellence in fund management and pensions.

Manchester was found to have most jobs and the widest variety of organisations in merchant and international banking, venture capital, insurance, stockbroking and advertising.

Overall, Britain's finance and professional services sector grew from 12 per cent of gross domestic product in 1980 to 20 per cent in 1989, when the south-east's output in this sector was £46.6bn. The rest of the UK managed just under £40bn, with nearly £7bn of it in the north-west, £6.3bn in the south-west, £5.5bn in Scotland, £5.4bn in West Midlands, and £4.3bn in Yorkshire and Humberside.

UK NEWS - COMMERCIAL BROADCASTING

Sharp picture emerges of TV in the 1990s

Raymond Snoddy looks at the future of the UK independents after yesterday's franchise awards

AT THE END of the tense London press conference called to announce the winners and losers in the commercial television world of the 1990s, Mr George Russell, chairman of the Independent Television Commission, stated his case with precision.

"Quality has won on this occasion and the viewers will win," he predicted; adding: "It gives us a chance to have a strong system with very good players."

That strength will be needed. Independent TV has only one year from the start of the new licences on January 1 1993 to shore up its defences against potential predators, particularly from continental Europe.

Mr Russell's words marked the end of a three year process that has seen the concept of quality come increasingly to the fore, almost overshadowing the cash bids in the competitive tenders for the new batch of UK 10 year broadcasting licences.

Yesterday's drama not only had a strong plot. There was even a symmetry to the pattern of losers – two losers who didn't bid enough, Thames and TV-am, and two, TVS and TSW, who bid so much they were judged unable to sustain a service of quality.

The most surprising bid winners turned out to be old hands at the game – Mr David Plowright, chairman of Granada Television and Mr Christopher Bland, chairman of London Weekend Television. Both showed enormous nerve under fire from serious opponents, with Mr Plowright bidding just £9m against North West Television's £35.3m and Mr Bland bidding just £7.85m against London Independent Broadcasting's £35.4m.

Mr Russell's claim that quality had won is apparently backed up by the fact that the ITC believes that the net extra money flowing out of the system to the Treasury will only be £40m a year at 1991 prices because the bids are tax deductible and ITV will save £45m a year by not having to pay for the Welsh Fourth Channel any more. If the £40m forecast stands up, this amounts to an extra charge of only a few per cent on the current level of ITV revenues of around £1.6bn.

At a superficial glance, leaving aside the tears and theatrics, it looks as if a typical British informal deal has been struck. Change yes, but not too radical please. Only four of the 16 existing ITV companies lost their right to broadcast. How competitive a tender was that?

In spite of all that the effect of yesterday's awards on independent television is the most fundamental and radical change the system has experienced since its founding in 1955.

It goes much deeper than the fact that nearly one third of the UK population will see new logos on their screens on January 1 1993. The system has been shaken to its foundations and a new competitiveness introduced into what was an officially sanctioned, commercially-funded monopoly.

Every ITV company has had to look at its cost structure in the past three years and jobs in the industry have been cut by a quarter to around 12,000. A further cut of 25 per cent in staff over the next two years is now likely.

However, the restructuring goes far beyond mere cost-cutting. The replacement of Thames by Carlton and TVS by Meridian has placed radically different organisational structures close to the heart of commercial broadcasting. Both newcomers are "publisher broadcasters" who will commission most of their programmes, with the exception of news, from independent producers.

ITV moved reluctantly to let in independent producers – a Peacock Committee recommendation – and the 1990 Broadcasting Act says all broadcasters must give up 25 per cent of production to independents by 1993. The swing to independents will continue to gather pace and shift from a fully staffed, studio-based system.

The move towards a more competitive future will receive another push from the determination by everyone ranging from the government to the ITC and the Office of Fair Trading that the ITV network system should be reformed.

In the past the Big Five production companies – Thames, Granada, LWT, Central and Yorkshire – have dominated the schedule of programmes shown throughout the UK. There have long been allegations of cartels, deals and the exclusion of the small ITV companies which lacked muscle.

Under the new system a central network scheduler with a programme budget of around £475m will, at least in theory, select the best ideas from wherever they come and compile the best possible schedule.

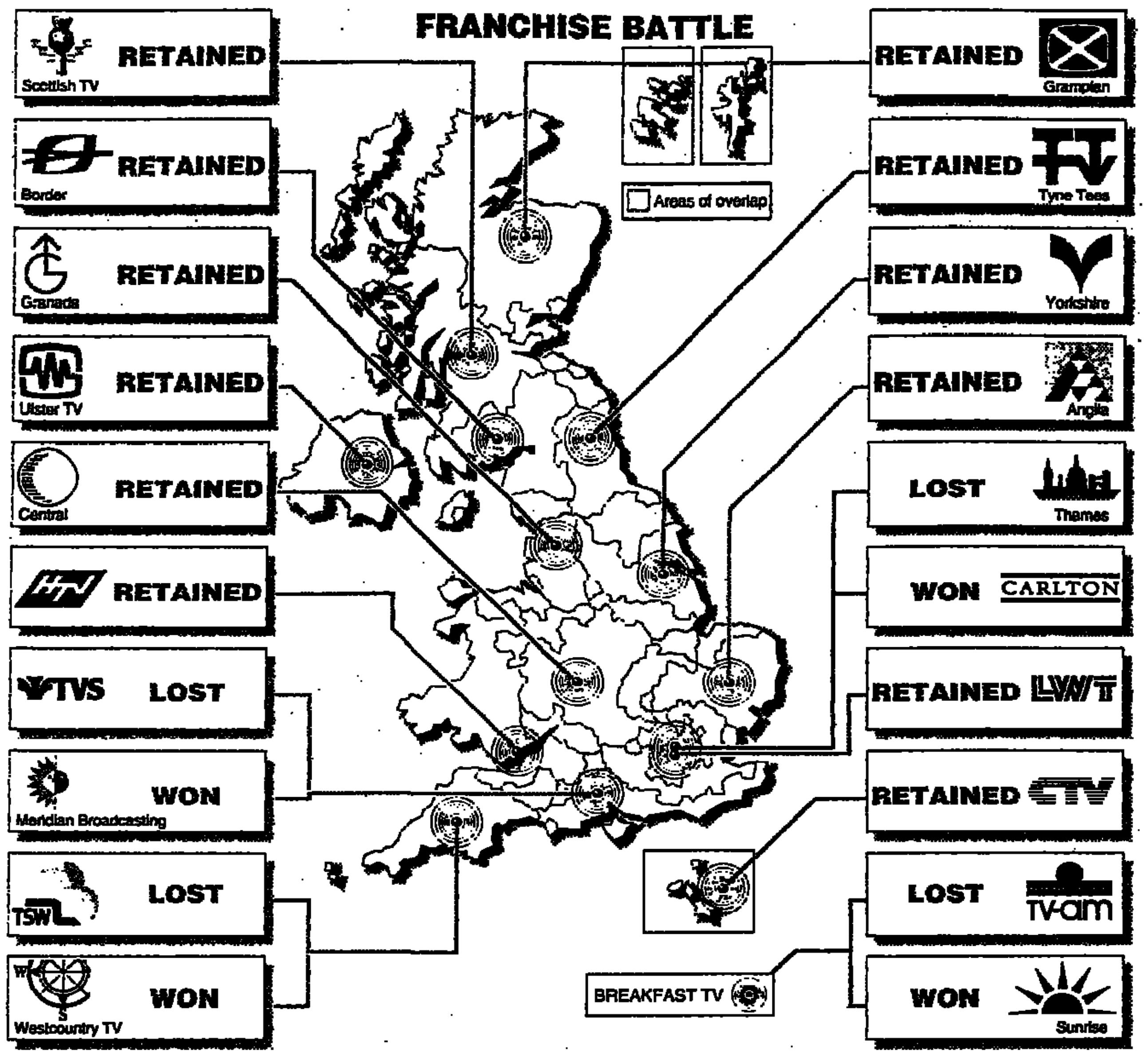
The squabbles will now get under way in earnest with the ITV companies, which are the paymasters, demanding some control over the activities of the central scheduler and insisting that independent producers should have no absolute right of access to the scheduler.

Mr Russell and the OFT are adamant that the central scheduler should have autonomy and that independent producers and their ideas should not be artificially excluded. "It is very much in the interests of new and old licencees to sort it out. If they can't we have the authority to impose it," Mr Russell promised.

The ITV system now has only a brief breathing space to reorganise, produce a competitive schedule to face not just the BBC but the steady march of potentially powerful competitors such as cable and satellite television.

And there is the threat of predators in 1994. Mr Russell warned yesterday, however, that the ITC had a veto against takeovers. Those taking over ITV companies would inherit every obligation and responsibility including programme quality and the bid price.

After the last franchise round Lord Thomson, then chairman of the Independent Broadcasting Authority, said there must be a better way. It was a reference to apparently subjective judgments made on the basis of programme proposals. "It may not be a better way but this will be the last way it is done," he said. The structure outlined yesterday is designed to last for 20 years and after that there will probably be so many channels that ITV licences will no longer be a scarce resource that has to be auctioned.



Frost and Branson the first to seek court action over franchises

By Robert Rice, Legal Correspondent

CPV-TV, the consortium including Mr David Frost's Paradine and Mr Richard Branson's Virgin Group, was the first to announce yesterday that it would be seeking judicial review of an Independent Television Commission decision.

The consortium, which was behind Greater London Television's bid for the London weekday franchise, lost in spite of bidding £2m more than the winners Carlton. The board of CPV-TV described the ITC's decision as "manifestly unjust".

But CPV-TV and other losers considering legal action will find it very difficult to challenge the ITC.

The ITC has to make two *subjective decisions in the context* of each bid – whether an applicant passes the "quality threshold" and, if it does, whether there are any "exceptional circumstances" to justify awarding the franchise to an applicant who has not made the highest cash bid.

More importantly, however, the ITC is only obliged by the Broadcasting Act to give reasons for a decision based on exceptional circumstances. By basing all its decisions on the quality threshold test it has made the task of those wanting to mount a legal challenge that much harder.

As no reason has to be given the only evidence available to challengers to try and establish that the commission has acted outside its powers will be published extracts of the rival applications.

For those who, like GLT failed at the quality threshold in spite of making the highest bids in their region the chances of mounting a successful challenge seem slim. For Thames and TV-am, both outbid, they are even more remote.

Challenging these decisions in the courts was always going to be tough. To mount a successful challenge a loser would have to show either: procedural irregularity; ITC failure to take account of all relevant considerations in reaching its decision, or the taking into account of irrelevant considerations; that the ITC decision was so unreasonable that no reasonable commission could have come to such a decision.

On the surface the only real hope appears to lie in claiming procedural irregularity.

TVS and TSW both lost on the basis that they overbid. They could argue that by considering the size of a cash bid at the quality threshold stage the commission failed to follow the procedures laid down in the Broadcasting Act. But the act is ambiguous and the ITC is confident it has built a watertight case. Each decision was examined for loopholes by its lawyers.

The court can only refer the matter back to the ITC. At the end of the day it may still reach the same conclusions, but via a different route.

Airtime advertising likely to strengthen pool system

THE SYSTEM of buying and selling television advertising airtime is expected to change dramatically after the completion of the franchise bid process.

The trend for commercial television companies to pool their airtime selling into joint sales houses is likely to accelerate as the new license holders search for ways to cut costs.

In recent years a number of TV contractors have pooled their sales operations. London Weekend and TVS, which held the franchise for southern England, joined forces as Laser. Yorkshire and Tyne Tees formed Media and Marketing Sales. Central, Anglia and Border sell their airtime jointly as TSMS. HTV has also revised sales arrangements.

The other six contractors have been considering the feasibility of joining, or forming, joint operations. These plans were put on ice until they knew the outcome of the auction.

MANAGEMENT: Marketing and Advertising

Sheer murder down at the shops

John Thornhill explains how 'category killers' are moving into British retailing

Beware! The category killers, which have stalked the US for years, have finally arrived in Europe threatening to devastate those they come across.

Category killers are not, as the name may suggest, a particularly nasty variety of serial murderer but – rather more prosaically – a retailing concept.

A category killer latches on to a narrowly-defined consumer market and sells high volumes of goods at low margins, with the aim of killing off the competition in that product category.

Whether it is computers, toys, cameras, stationery, or party products, the category killer can find a welter of market opportunities, seriously threatening the unfocused variety retailer selling a broad range of goods.

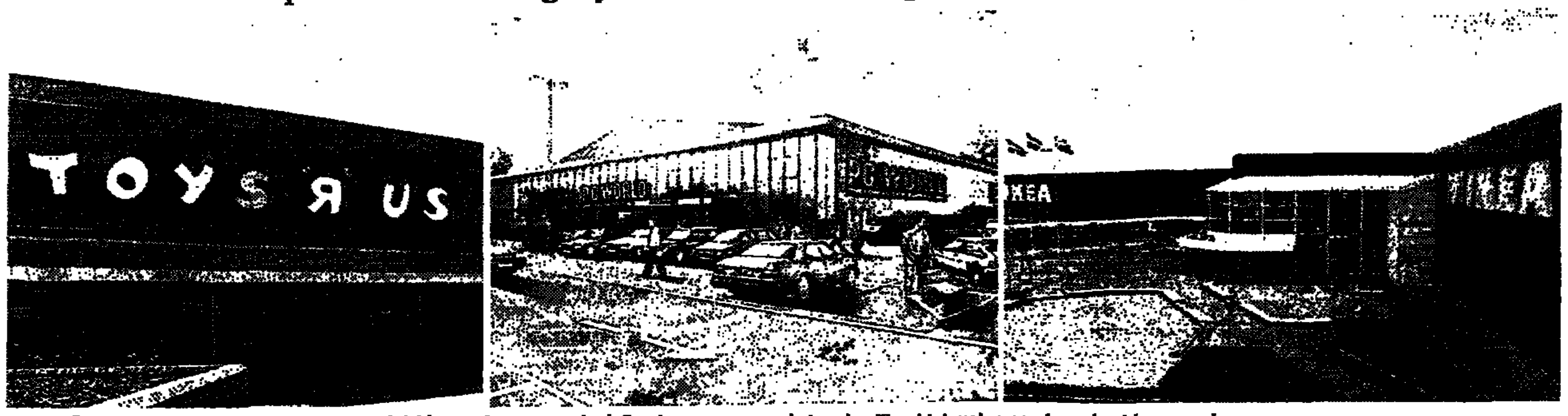
The concept has a lot of characteristics in common with the niche retailers which blossomed in the UK in the 1980s but mostly shrivelled in the recession.

But it differs in several important respects: whereas niche retailers offered premium products at premium prices from prime high street sites, the category killers offer basic products at commodity prices from edge-of-town superstores.

Some category killers, such as the Toys "R" Us toys and games chain, are a direct import from the US. But European companies have also learnt the skill.

Ikea, the successful Swedish furniture group, is one of the more sophisticated examples of the phenomenon. Its vast edge-of-town superstores offering a range of furniture and home furnishing goods have already had a marked impact on the UK market despite there being only three stores.

But one of the most intriguing applications of the category killing rationale could be PC World, a computer superstore which is due to open in Croydon next month.



Toys "R" Us, PC World and Ikea superstores: latching on to a narrowly-defined consumer market and selling high volumes of goods at low margins

The 30,000 sq ft store will sell 3,000 personal computers products and accessories at 3 to 5 per cent above mail order listed prices but still some 20 per cent below those of most rival high street operations.

The idea has been developed by Jan Murray, chairman of Vision Technology Group, who runs one of Europe's largest computer mail order companies with a turnover of around £35m a year.

After studying the American market intermittently over a six-month period, Murray believes there is a great opportunity to bring the computer superstore concept to the UK. His initial blueprints drew heavily on his study of the US operators and were fleshed out by Eleanor Fleming, who was formerly operations manager of Fry's Electronics, a Californian computer superstore chain.

"We will sell the computers supermarket-style. One example of each computer will be on display and next to it will be a pile of boxes that shoppers can simply pick up and take away in their trolleys," he says.

Murray says computer superstores "revolutionised the market" in the US, growing from six stores in 1987 to about 78 today. He believes the UK may be ripe for a similar development although he admits that this conviction is based on gut feel more than analytical rigour.

"There are two schools of thought in the industry," he says. "There are a lot of people saying we are a year too early and that the way people buy computers and the amount of disposable income is not as advanced as in the US.

"But the other argument is that even if the British market is not as far down the road at the moment, we have a store that in greater London and the home counties has a catchment area of 12m people."

PC World's success will depend crucially on the volumes the business can generate. "We can work on very low margins so long as we can move the product through our operation," Murray says.

Although he will not be drawn on what sales he is projecting for the store, he points out that similar – if much bigger – superstores in the US turn over $75m a year.

The company will benefit from the buying power it has built up through its mail-order business which in some cases enables it to sell computers at less than independent dealers' cost prices. And Murray says most of the significant personal computer companies, including Apple and IBM, have already agreed to supply their products to the store.

Driven to desperation by the current depression in the computer market, many companies appear willing to back any sales methods that will help sell boxes even if they do impinge on their traditional supply networks.

But as well as providing the right product at the right price, Murray believes the other vital ingredient for success will be how PC World promotes itself to potential customers.

His mail order business currently supplies mainly small and medium-sized companies which have a reasonable knowledge of computers. "The technology is no longer black magic or mumbo-jumbo and they know what they want and are quite happy to buy from a mail order supplier," he says.

But Murray argues that there is also a market for less confident purchasers which PC World will try to address. "There are enough people out there who know a lot about computers but do not know enough to take a chance on buying one blind," he says.

Sales assistants in the store will be able to answer customer inquiries but their aim will be to provide general guidance rather than to steer the customer towards a particular purchase using high-pressure sales techniques.

Moreover, in order to reassure customers, the store will offer installation and repair services and will stay open from 8am to 8pm, seven days a week, to encourage customer flow.

PC World will also spend more than £1m on promoting the concept by advertising in the national and specialist press and by running television advertising campaigns. The company will market itself direct to its mail-order customers by using its extensive database.

In total, Vision Technology will spend £3.5m on developing PC World during the first year of operation – a level of outlay which can only be fully justified if the franchise is subsequently expanded.

Murray says he would like to open another store in north London within the next six months. "But we want to get a feeling for whether we have the formula right. We will know that within the first few weeks of opening," he says.

Ultimately, Murray suggests that the UK personal computer market – which is variously estimated to be worth between £2bn to £3bn – could accommodate about 24 superstores.

But he hastily points out that this could not be funded out of the privately-owned company's present cash flow. "We would either have to go public or seek an injection of venture capital," he says.

The fate of PC World will provide an interesting indicator of whether the European market can assimilate the superstores concept.

It could well be that the nature of the markets and the structure of the costs differs too much from the US to make it a viable business proposition.

But if PC World does succeed it could spawn a welter of imitators across other consumer markets. The category killers will have struck with a vengeance.

Japanese magazines turn over a new leaf

Emiko Terazono reports on a move to include social consciousness between the fashion spreads

Takako Sato, a 27-year-old Japanese office worker, complains that she is "tired of being pushed around by what the magazines say". A tall woman in a fashionable mini-skirt, she explains that although she was once an avid reader of several weekly and monthly magazines, she does not buy the glossy fashion titles regularly any more. "I need something more original."

Last month's launch of i-D, Japan's version of the British youth magazine which wants to put social consciousness between the fashion spreads, comes at a time when publishing houses are continuing to turn out new titles to satisfy readers like Sato.

Many Japanese readers became weary of the commercialism of the late 1980s. Publishers noticed a shift in readers' tastes from high fashion to higher consciousness, and rushed to fill the perceived gap in the market; new launches totalled 155 last year, and the total is expected to rise to 200 this year.

Magazines are the fastest growing area of the publishing business, with annual sales rising about 3 per cent compared with 1 per cent for books. Magazine sales totalled 35.9bn copies in 1990, up from 31.8bn in 1986. Advertising revenue has also been rising steadily, reaching Y374.1bn (£1.67bn) in 1990, 11.5 per cent higher than a year earlier.

Kiyoshi Yoshizawa, president of UPU, the publisher of i-D Japan, explains that the company wanted to launch a magazine which was markedly different from the glossies, like Vogue and Elle, previously targeted at young people.

Yoshizawa had been drawn to i-D's coverage of the British anti-poll tax campaign, which "was not telling young people to be anarchists, but gave a logical explanation of ideas and arguments."

Yoshizawa believes many young Japanese are dissatisfied with the quality of existing titles. These have been no more than manuals with detailed instructions on how young men and women should dress and what they should buy, where they should go and how they should behave.

Japan's youth has looked to magazines for information and has been eager to follow the instructions they give. Many have flocked to eat out at the featured restaurants and to buy trendy advertised clothes. For example, Hanako, a trend information magazine for women in their twenties, has left many a proprietor anguished by the sudden wave of enthusiastic young female customers, which disappears only too quickly.

"Information has been too controlled, and one is forced to think a certain way. A lot of young people are starting to feel that there is something wrong or missing," says Yoshizawa. Articles in i-D are original, but with the same underlying editorial concept as the UK version, which concentrates on youth and street culture. i-D Japan now has a circulation of 214,000, while the UK version, distributed by the Time Out group, has a circulation of 80,000.

Other new titles are also moving away from fashion or product information. For example, the subtitle for Fran, a women's bi-weekly magazine launched last month, is "a beautiful head" meaning that intelligence and cultural understanding is essential to a woman, and it is no longer enough to try to be beautiful only on the outside.

Tadashi Saito, editor in chief of Crea, a culture and opinion magazine for women in their late 20s, says that the Japanese woman buying up branded goods as a form of self-identification was a phenomenon of the 1980s.

"Women are now rejecting the role of the consumer leader, buying up everything in sight, and now want to be seen as intelligent and sophisticated," says Saito. New titles for men are also concentrating on the intelligence theme. A number of current affairs magazines looking at world politics and economics are targeting readers in the 25-35 age range.

This trend has even started to change the nature of advertising in magazines. Saito at Crea points out that advertisements are now focusing on the images and lifestyles of people who use or wear the product, rather than the product itself.

BUSINESS LAW

Romania pursues its own road to the market economy

By Rodica Seward, Steven Glick and Jean-Yves Martin

IN AUGUST, after less than two months of debate in parliament, Romania passed its privatisation law. While it contains elements of the Polish and Czechoslovak approach to privatisation of state-owned enterprises, Romania's legislation also provides further proof that each former Soviet bloc country is pursuing its own road to a market economy.

Two factors distinguish the Romanian approach to privatisation: the government's extremely receptive attitude to foreign investment; and the method of distributing, free of charge to Romanians, securities that represent, in aggregate, a 30 per cent indirect interest in state-owned commercial companies.

Under the privatisation law, foreigners can participate in the privatisation process without limitation. Both the shares and assets of more than 6,000 state-owned commercial companies may be sold to foreigners.

Taken together with Romania's foreign investment law, which was passed in April, the privatisation law creates a very liberal, though not yet complete, framework for foreign investment.

Foreign investors now have the opportunity to own 100 per cent of Romanian companies and are permitted to freely repatriate profits made in convertible currencies and, to a more limited extent, in leu (the Romanian currency).

The foreign investment law includes generous tax incentives for foreign investors. These include exemptions from payments of taxes on profits for between two and five years depending on the type of business activity, and exemptions from customs duties for all imported machinery, equipment, installations, transport and other goods connected with the investment. The law also provides exemptions, for two years, on imported raw materials and components necessary for production and contains guarantees against nationalisation and expropriation of investments.

The privatisation law's so-called "transfer programme", which sets out the method for distributing securities in state-owned industries to Romanians, represents another novel attempt by an east European country to compensate for the lack of domestic capital; it also represents a way to enable citizens to participate in, and directly benefit from, the privatisation process.

The transfer programme differs from the much-publicised and criticised voucher (or coupon) system in Czechoslovakia and, to a lesser extent, from the investment funds approach in Poland, which was unveiled in June.

Still, all three approaches are based on certain common objectives, including the desire to accelerate the privatisation process, promote wide share ownership and encourage the development of capital markets.

The transfer programme has been designed to minimise administrative delays and to ensure its quick implementation. As such it is less complicated than either the Czech or Polish schemes.

The privatisation law provides that 30 per cent of the shares of each state-owned commercial company will be transferred to five Private Ownership Funds (POF). The National Agency for Privatisation will determine how shares of specific commercial companies are allocated among the POFs.

Each POF will issue one certificate of ownership to each eligible citizen. All citizens living in Romania over the age of 18 on December 31 1990 and not barred because they have criminal records will be eligible.

The certificates of ownership will have a nominal value in leu and will be in bearer form. Citizens will be permitted to transfer their certificates to other Romanian nationals immediately and to non-Romanians after a period of five years. Eventually, the certificates will be traded on a stock exchange that is to be organised in Bucharest.

As the market develops under the new privatisation regulations, the certificates of ownership and the shares of commercial companies will be exchangeable. To this end, POFs will offer a brokerage service operating on the basis of market rates for both types of securities.

Taken together with Romania's foreign investment legislation, the privatisation law creates a very liberal, though not yet complete, framework for foreign investment

The POFs will function as joint stock companies operating on commercial principles. However, because of the difficulty of arranging for millions of citizens to vote at, and attend, annual meetings, shareholders – citizens holding certificates of ownership – will for a period of five years be ineligible to vote.

Instead, the board of directors of each POF will make all significant decisions concerning the POFs. The POFs have an obligation to manage the shares allocated to them so as to maximise the value of the certificates of ownership. In so doing, they may buy or sell shares as they see fit. The POFs will distribute dividends, if any, to holders of certificates of ownership.

The remaining 70 per cent of the shares of commercial state-owned companies will be transferred to a State Ownership Fund (SOF), created under the privatisation law as an independent legal entity.

Although a public institution, the SOF will also function along commercial lines. It will have its own budget, and will maintain accounting records in accordance with standards applicable to commercial companies. It will be partially exempt from tax on income.

The SOF's primary obligation will be to reduce its ownership interest in commercial companies until their complete privatisation. To achieve this, it is obliged to prepare commercial companies for privatisation by increasing their efficiency. It will restructure, rehabilitate and, where necessary, liquidate commercial companies, to eliminate loss-making operations and maximise profits.

The privatisation law contains various provisions intended to start the process of selling state-owned companies with minimum delay. Because it will take time to set up the SOF and POFs, the law contains procedures for the early privatisation of certain commercial companies. The National Agency for Privatisation will be responsible for selecting the commercial companies to be privatised immediately.

The proceeds from the sale of shares in companies in the first phase of privatisation will be distributed on a 30:70 ratio to the POFs and SOF, once they are up and running.

The first phase of privatisation will focus on the sale of assets; but the process may also include the sale of the commercial companies themselves, irrespective of the existence of the SOF and the POFs. The proceeds from the sale of assets will be retained by the commercial companies.

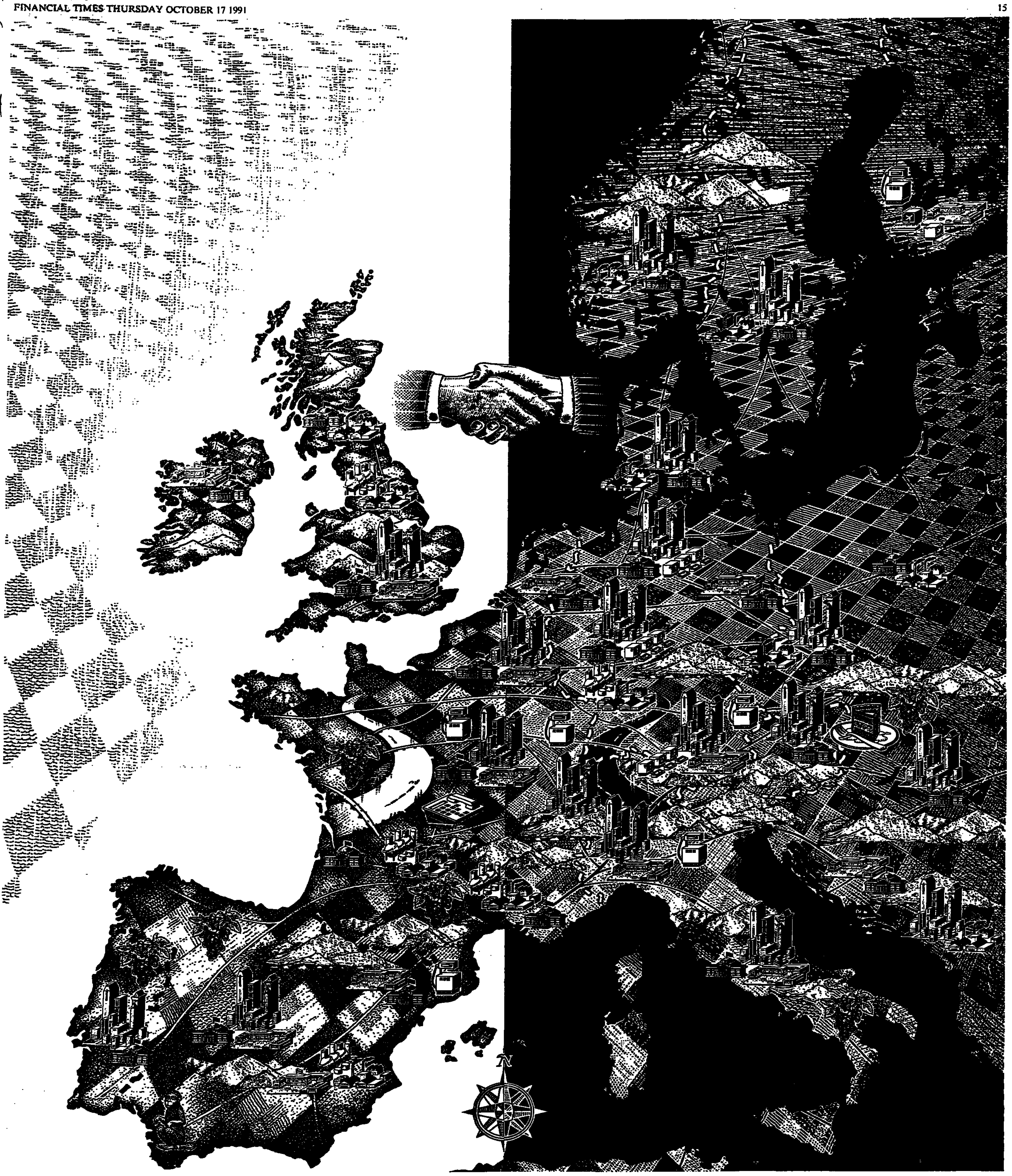
Undoubtedly, Romania's transition to a market economy will require substantial time and effort – and the results of the government's privatisation programme will play a key role.

Over the past nine months extraordinary progress has been made on the legislative and economic road towards a market economy.

Yet the transition to democracy has reached a delicate stage. Following the recent miners' riots and the resignation of the Roman government, the outlook may, temporarily, look uncertain. But Mr Teodor Stolojan, the former finance minister and state secretary in charge of the National Agency for Privatisation, is the prime minister designate, and given his previous commitment to the reform process it is to be hoped that the economic reform programme will soon be back on course.

With a well-educated population of 23m (the largest in central and eastern Europe after Poland), little external debt, an extremely strategic location (both on the Danube and the Black Sea) and a rapidly transforming legal and economic environment, Romania should prove very attractive to foreign investors, particularly those operating in agriculture, communications, consumer goods, light industry, pharmaceuticals and services.

Ms Seward is a partner in the Paris office of Coopers & Lybrand; Mr Glick is with the London office of Coopers & Lybrand; and Mr Martin with the Paris office of the international law firm Shearman & Sterling.



ICL and Nokia Data, together we see more ways to help you.

ICL have always excelled in supplying integrated systems for the information technology needs of specialised markets.

Now we've merged with Nokia Data we're even stronger.

Our understanding of our customers' markets is enhanced by the knowledge and experience of Nokia Data in many areas.

They also add their commitment to ergonomics to our own in the field of open systems. Making IT easier, more pleasant and more flexible to work with.

Through significant investment in research and development (almost £300 million in 1990) and technology agreements, we continue to bring Europe the best of the world's technology.

Together we can do even more.

Offering you an even wider product range and a greater geographical presence all over Europe.

More skill, more product, more talent and more understanding of your needs.

It is easy to see, we're in a stronger position to help you.

ICL

Photos fox card thieves

The banks have recently been discussing putting photographs on credit cards to combat fraud. But Avant of West Concord has come up with a card which identifies its holder in a different way.

Instead of carrying the holder's photograph on the card, the card is placed in a terminal with a small television screen on which the holder's photograph and other identifying information can be called up from a central database.

The card operates on magnetic stripe technology and is cheap to produce. It is made of a strong plastic material for added durability over conventional vinyl cards.

Terminals are relatively expensive – around $1,500 (£870) at the moment, though in mass production their cost would probably fall below $500. The system operates on line, though the database does not necessarily have to be further away than an in-house PC.

Against this the Visifier, as Avant calls its system, has some practical advantages. Cards in effect lose much of their significance. The important point is the recognition of the customer through the image which appears on the terminal, if necessary supplemented by other data about him and his account.

If a card is left at home, a set of numbers can be tapped into the terminal to call up the card user's details. Lost cards become much less of a threat because it is difficult for an unauthorised person to use them. A replacement card can be issued almost immediately.

Cards can be customised to show names, logos, and photographs if desired, but they can also be issued in an anonymous format without the need to show even the customers' name or distinctions between different categories of customer. All these details will appear on the screen.

So far the card is being used experimentally by clubs and universities. Avant believes that the system is also suitable for a wide range of banking applications.

David Barchard

Peter Knight examines moves by Europe's post offices to modernise and expand their services

Putting a stamp on progress

Buying a stamp from the main post office in The Hague can be a pleasurable but rather disconcerting experience. Instead of a fortress-like row of bullet-proof counters hiding grumpy clerks, the place looks like a combination of modern bank and department store.

The retail revolution is finally hitting the last bastion of institutionalised shopping as post offices throughout Europe begin to shed their dull and dreary image for something more upbeat.

The Dutch are leading the way by remodelling 100 post offices in the style of their experimental office in The Hague. There, German-made self-service machines weigh parcels and produce a franking-style stamp if fed with the correct money.

An interactive video machine with a touch-sensitive screen gives information on financial services, such as mortgages, and clerks at open desks sell a variety of items from magazines to airline tickets. There are plans to start employment agencies within some Dutch post offices too.

Sweden, like the Netherlands, has had computerised counters – supplied by Philips – since the 1980s. The computer systems are linked directly into networks run by financial service partners who use the post office counters as their public outlet.

The Swedes are also experimenting with a range of self-service machines, such as those that convert foreign currencies, in an attempt to improve profitability and the range and quality of service.

Even the financially-strapped Czechoslovaks are preparing to install computers to assist their counter clerks in 2,000 post offices.

UK post offices will maintain the rubber stamps which they use as a form of certification, but by next year will provide 5,500 clerks with computer terminals to cope with the majority of transactions, in a deal with Unisys worth about £20m.

For those who regularly suffer the frustration and tedium of post office queues, such improvements seem long overdue. But a combination of government restrictions and commercial privileges (post offices throughout the world are state controlled) have conspired to keep these high-street outlets in a time warp.

This is beginning to change because, first, most governments want to reduce the high cost of running these enormous retail networks and, second, there is growing political pressure to inject more competition into post office services.

But the future of post offices is unclear because managers are caught in a double bind. Their high-street networks can be seen as a valuable asset because few organisations have such a geographical spread. But the true potential of these networks can only be achieved if government restrictions on trading practices and capital expenditure are lifted, or at least eased.

Meanwhile, customers are forsaking the post offices because many of the traditional services, such as getting cash or even buying a stamp, are increasingly being offered by other outlets.

Managers are adopting similar strategies to cope with these political and commercial pressures. Their plans are heavily influenced by the degree of government control under which they operate and the extent of their monopolies on providing state services.

Within their strategies automation is the dominant theme. If well implemented, it enables the businesses to reduce overheads and increase the range and quality of services. Consequently, computer solutions for post offices are becoming a small but potentially profitable niche for computer suppliers.

But more interesting are the strategic differences between countries and the consequent implications for automation. The divide is, broadly, between those countries that see big profits in selling financial services and those that want to improve the traditional post office practice of selling low-margin products.

The Dutch and Swedes, for example, see a great future in offering financial services in post offices, such as loans and mortgages, where profit margins are high. The UK, however, is sticking to the traditional route of high-volume, low-value services, such as issuing television licences, car tax and state benefits.

Post offices looking for profits from financial products are increasingly competing with financial institutions. To do this they have to develop the same level of automation as the generally richer banks and insurance companies.

But this can become expensive for post offices because they are merely a conduit for financial services offered by third parties. The banks and insurance companies that operate via post offices are usually independent organisations which use the outlets as their public face. The post office takes fees and commission, much like insurance brokers, for providing the network.

John Roberts, managing director of the UK's Post Office Counters, the company responsible for running the high-street outlets, doubts that post offices will be able to compete effectively in the financial sector. "I'm sceptical that customers will see post offices as high-class financial institutions," he says.

The UK's plan is to concentrate on generating volume. Roberts's company is, however, heavily constrained by UK law which precludes it from doing deals with the private sector unless specifically approved by government.

A large amount of his business is government related, such as distributing pensions and other state benefits. Most of this is paper-based – vouchers that are exchanged for cash at the counter. It is cheaper for the UK post office to process these transactions using semi-manual methods rather than to introduce full automation.

UK experiments with counter terminals which were connected directly to the computer systems of third parties proved very expensive. Consequently, the UK's plan is to introduce terminals that generate a daily report which is printed locally and then posted. The terminal is derived from one used in US post offices and supermarkets, with software developed by Post Office Counters.

The terminals, as in Sweden and the Netherlands, will print a receipt of each transaction. But the sound of the UK's ubiquitous rubber stamp will continue even in the most modern post offices.

"I would like to do away with the rubber stamp but it is still a very easy device to use and difficult to forge. People also like to have the stamp as a receipt," says Roberts.

While automation might not destroy some of the idiosyncrasies of post offices, all countries are agreed on one point: the post office's public face has to improve.

The modernisation theme has two strands. First, the fortress-like counters are removed, where possible, and replaced with friendlier low-level desks without glass. More self-service machines, dispensing anything from cash to self-made business cards, are provided in an atmosphere usually associated with a department store.

Second, the range of goods on sale is increased. The Dutch provide magazines, stationery and packaging. The UK is also planning to open more "Post Shops" within post offices, selling greeting cards and collectibles, such as special-edition stamps and coins.

The Dutch and the Swedes are less restricted on the range of services they may offer. This is leading them to experiment with selling travel services, such as ferry, rail and airplane tickets.

Unfortunately the one innovation that seems to be consistent throughout Europe is the television monitor pumping out banal commercial messages at the head of the queue.

Once you have been subjected to repeated, poorly-made advertisements about spectacular inessentials such as fold-away showers, the gleaming new post office can suddenly become a dull place.

Kidney drug halts rejection

By Clive Cookson

Immunology Ltd, a two-year-old UK biotechnology company, has signed an agreement with Baxter Healthcare of the US to develop and market a new approach to preventing the rejection of transplanted organs.

The basis of the agreement is a drug, known as Anti-CD45, that was invented originally by immunologists at Cambridge University and taken up by Immunology Ltd, a company started in 1989 on Cambridge Science Park.

Kidneys are perfused with Anti-CD45 for about 20 minutes, after they have been removed from the donor but before they are transplanted. Current practice is to treat the patient after transplantation with drugs that suppress the immune system and reduce the rejection of the foreign organ.

Anti-CD45 contains a pair of monoclonal antibodies which bind to white blood cells in the kidneys. These foreign cells, known as passenger leucocytes, seem to play a more important role in rejection than the kidney cells themselves. The effect of the antibody treatment is to activate the recipient's immune system to destroy the cells quickly, before they cause acute rejection.

"This is a fascinating approach," said Terry Strom, professor of medicine at Harvard University. "Concentrating on the properties of the donor organ that can cause the body to reject it, rather than suppressing the recipients' immune system, should benefit patients while minimising side effects."

The first clinical study of Anti-CD45 was carried out in 1989 at Dulwich Hospital Renal Unit in London. Seventy-seven transplant patients received kidneys treated with the drug or a placebo; 63 per cent of those in the control (placebo) group and 18 per cent in the Anti-CD45 group showed rejection symptoms.

More extensive clinical trials will begin in the UK and US in 1992. If these give equally satisfactory results, Anti-CD45 is likely to be licensed by the US Food and Drug Administration and the European regulatory authorities in the mid 1990s.

Under the terms of the agreement, Baxter will fund the development of Anti-CD45 and will have marketing rights in Europe and North America. Immunology will manufacture the drug in the UK, using the facilities of Celltech, a well-established biotechnology company. Cambridge University will receive a a royalty on all sales.

Hospitals in the US and Europe transplant about 20,000 kidneys a year. More than 60 per cent of patients experience acute rejection symptoms, requiring lengthy hospitalisation and high doses of anti-rejection drugs (the side-effects of which include increased risk of developing infectious disease or cancer).

Anti-CD45 will inevitably be a costly drug; the price of one kidney treatment, containing 2 milligrams of each antibody, is likely to be more than $3,000. But it will still be excellent value if it enables patients to avoid the consequences of rejection, which are much more expensive.

Researchers at Immunology and Baxter plan to investigate the effectiveness of Anti-CD45 in preventing rejection in other organ transplants, including heart, liver and pancreas. Current projections suggest that there will be about 50,000 transplants a year of all organs by 2000.

The agreement with Baxter, the world's leader supplier of kidney dialysis products and services, gives Immunology a solid financial base and will generate long-term cash flow, says Bill Duncan, chairman and chief executive. "It takes us out of the realms of start-up and into real corporate growth."

Immunology was founded in 1989 with £5m venture capital funding. Apart from the anti-rejection drugs, it is developing treatments for cervical cancer, viral and auto-immune disease.

The next Immunology drug is likely to be a "therapeutic antigen" which stimulates the immune system to attack cervical cancer cells. It might be ready to enter clinical trials late in 1992 or in 1993, says Alan Munro, research director. A treatment for herpes may follow in 1993-94.

Perrier pick of the Fringe

PURCELL ROOM

The Purcell Room on the South Bank complex is as atmospheric and welcoming as a customs shed. For years it was the venue where musical debutantes made their one and only public appearance before family and friends, and the most arcane cults – folkies, new music freaks, and poets – did their business in undisturbed solitude.

Now the management on the South Bank, fed up with subsidising minorities, is trying to smarten up the place. The odd picture is promised and softer decor. Until the good times roll it has let the Room to the Perrier Pick of the Fringe, not a hairdressing convention but the best and brightest of the stand up comedians from this year's Edinburgh Festival.

It is asking a lot of performers whose natural environment is the upstairs room at a pub within touching distance of a crowd of out of their mind humour groupies to extract laughs from a sober, sensible, early evening audience slumped in leather armchairs and subdued by the sepulchral environment. But these men and women are pros and anyone wanting a safe, sanitised, introduction to stand up comedy has until Sunday to take a peep.

There are three shows on offer. *Struck Off & Die* features a couple of young doctors, Phil Hammond and Tony Gardner, whoattempt to totally eliminate any lingering public confidence in the National Health Service. The propaganda is relentless but their passion and *commitment* can't be faulted. They represent the political heart of stand up comedy which so often gets in the way of the jokes.

For good natured humour much better go for Victor & Barry who at 7.15 every evening are *In the Scud*. They continue a strain of camp double acts which stretches back to the Weston Brothers. Brylcreemed and cravatted they bring the latest gossip from the Kelvinside Amateur Theatrical Society whose productions are always more ambitious than the talent available. A refined and precious Scottish accent, plus a genius for letting the devious minds of the audience make outrageous connections, ensure that an evening with Victor and Barry is warm, cosy, and genteelly escapist.

The 9.15 spot on Thursday and Saturday is taken by Jack Dee, a more restrained performer. His cool stare and dead pan delivery make him the leader of the "miserable bastard" school of comedians. In practice he does not hate everything – just supermarkets, trains, and motorways. He gives a gentle, mordant, monologue on modern life, very English and with good natured observations on the lines of "why do parents take kids to the supermarket to smack them".

Dee almost won the top Perrier award this year. He was pipped by Frank Skinner who has done his stint at the Purcell Room but who is working his way around the country. Skinner is a total contrast – aggressive, scabrous, dominating, relying on a cheeky smile to get away with outrageously explicit fantasies. He was a brave choice and can only be seen in his true stand up environment, one hand supporting a whisky, the other, a chaser.

Antony Thorncroft

CINEMA

Marlowe with a camp gloss

EDWARD II
Derek Jarman

CITY SLICKERS
Ron Underwood

DOC HOLLYWOOD
Michael Caton-Jones

MANNEQUIN ON THE MOVE
Stewart Raffill

THE RESCUERS DOWN UNDER
Hendel Butoy and Mike Gabriel

"It's Marlowe improved" announced director Derek Jarman after the Edinburgh Film Festival premiere of *Edward II*. "It's a better ending", he added, as a dozen Eng Lit professors in the audience were already reaching for their smelling salts.

First sight for sore eyes: two nude men grappling on a bed as the king's lover Gaveston, fully-dressed in foreground, ponders his future. Next eyeful and earful: Edward himself (Steve Waddington) in verbal conflict with rebellious Mortimer (Nigel Terry), sporting a Sandhurst accent and accompanied by braying fox-hunting chums. Additional shocks to the system: a scheming Queen Isabella (Tilda Swinton) who sports a new modern-dress outfit for each scene, as if Joan Collins has blown in from *Dynasty*; Edward parting from Gaveston under a showbiz spotlight as Annie Lennox sings Cole Porter's "Every time we *say* goodbye"; and a gay rights finale with slogan-splashed banners and T-shirts.

Ever since Marcel Duchamp painted his moustachioed Mona Lisa, it has been "Do your own thing" season for today's artists on yesterday's art. *Edward II* is a crumbly classic ripe for renovation. Since he is also converting it into an alien art form, Jarman's impatient *lèse majesté* seems justifiable. What we question is not the attitude but the execution. The anachronisms and gay-culture appropriations, instead of providing an in-depth invigoration of the text, are like rouge and mascara applied to a corpse. Never mind all that inert Marlowe stuff, Jarman seems to say, about mediaeval power struggles or the divine right of kings. Let us colour in the modernist gay cheek and hope that today's filmgoers will file by the coffin and kiss the cadaver.

Like any Jarman film, this one is heroically heretical. The man who gave us nude Christian martyrs in *Sebastiane*, camp sailors dancing to "Stormy Weather" in *The Tempest* and Adam and Eve remade as Adam and Adam in *The Garden* was born with a rare share of rude courage. Unintimidated by years of schooling in sacred English texts, the gay film-maker who has gone public about his HIV-positive condition makes movies about life constantly renewing itself: not least on the compost heap of classroom cliché.

But Marlowe's play, while never a masterpiece, was always more than a tale of gay persecution. In giving one dimension of the work new life, Jarman allows the rest to look even more moribund than usual. When camp inspiration fails, the film falls back on RSC-style formula: the off-white box set with rough-plastered walls, the non-essential blank verse delivered like a grocery order, the crowd scenes modelled after Wapping or Gay Pride week. At its fitful best *Edward II* is deftly re-embellished and acted, notably by Tilda Swinton as a tartly swishing Queen. At its worst it looks like an act of jaded restlessness by an artist who cannot find quite enough in this ancient artwork creatively to subvert.

★

City Slickers, soon after completion, must have been held at an angle by a careless studio executive so that the jokes all slid towards the film's beginning. For 30 minutes we chortle happily as Billy Crystal and friends Daniel Stern and Bruno Kirby crack jokes about life, sex and middle age. All are married, all are nearing 40 and all long to flee New York for a last men-only fling. "Go and find your smile" says Crystal's obliging wife. And lo! Off go the trio on a dude cattle drive, where they find their smiles even as we are losing ours.

The cattle drive begins well, with trail boss Jack Palance striking matches on his cheek and cracking the meanest grin in the West, while Crystal complains "This wasn't in the brochure" when he has to hand-deliver a messy calf. But the calf survives to become the movie's cuteness epicentre as we thunder on into lessons about love, friendship, animal liberation and "finding oneself."

It is a time-honoured Andrews maxim that when a film talks about finding oneself it has already lost itself. *City Slickers* is like one of those schoolmasters who begin by jollying you up with jokes and then bring on the heavy stuff about hypotenuses or St Thomas Aquinas. Director Ron Underwood and writers Babaloo Mandel and Lowell Ganz (*Parenthood*) introduce Billy Crystal's hero as a blithe and gifted wisecracker. (His Ages of Man speech to a goggle-eyed school class is a stand-up classic.) Then, once in the saddle, they turn him into a babyfaced John Wayne; lassoing the hell out of strays, jumping into rapids, and sparing a tear for Norman the calf.

The film has made $120m in America, which shows that it has something for everyone. Unfortunately that "everyone" should arrive in two separate sittings. Laughter-lovers first, sentimentalists second.

★

City life is bad for the nerves, injurious to the health and morally corrupting. This is why everyone in the film industry lives in a city, Los Angeles, and makes films about why they shouldn't. In *Doc Hollywood* they waylay Dr Michael J. Fox en route to Beverly Hills and strand him in the Deep South. Washington-based Dr Fox is driving west to become a plastic surgeon to the stars when he violates a picket fence with his sports car. He is ordered to do 32 hours public service as a local GP.

The place is "Grady," South Carolina: population, 20 persons and a pig. This is very good for Fox's soul, even though I have studied a map and cannot work out why he is in South Carolina while driving from Washington to L.A. Probably British director Michael Caton-Jones lost his sense of direction during *Memphis Belle* – all that flying over Germany being shot at – and assumes that in Capra-land, which is where we are, compass points are immaterial.

What we need and get is a place of imbecile enchantment, bearded with Spanish moss and inhabited by familiar character actors we cannot quite name. We also need friendship, comedy, love (Julie Warner as a pretty ambulance-driver), wisdom (Barnard Hughes as the dying older Doc) and animal liberation (the pig). All these are in the engaging *Doc Hollywood*, plus the small but perfectly skilled Mr Fox whose boyish, turn-on-a-sixpence reactions are a delight to see even as he himself turns 30.

★

Of the week's other films, both aiming for comic enchantment, one grazes the target, the other misses completely and endangers spectators. The miss is *Mannequin On The Move*, which you should stand well clear of in case its blithering tale of a boy, a window dummy and an ancient legend does you injury.

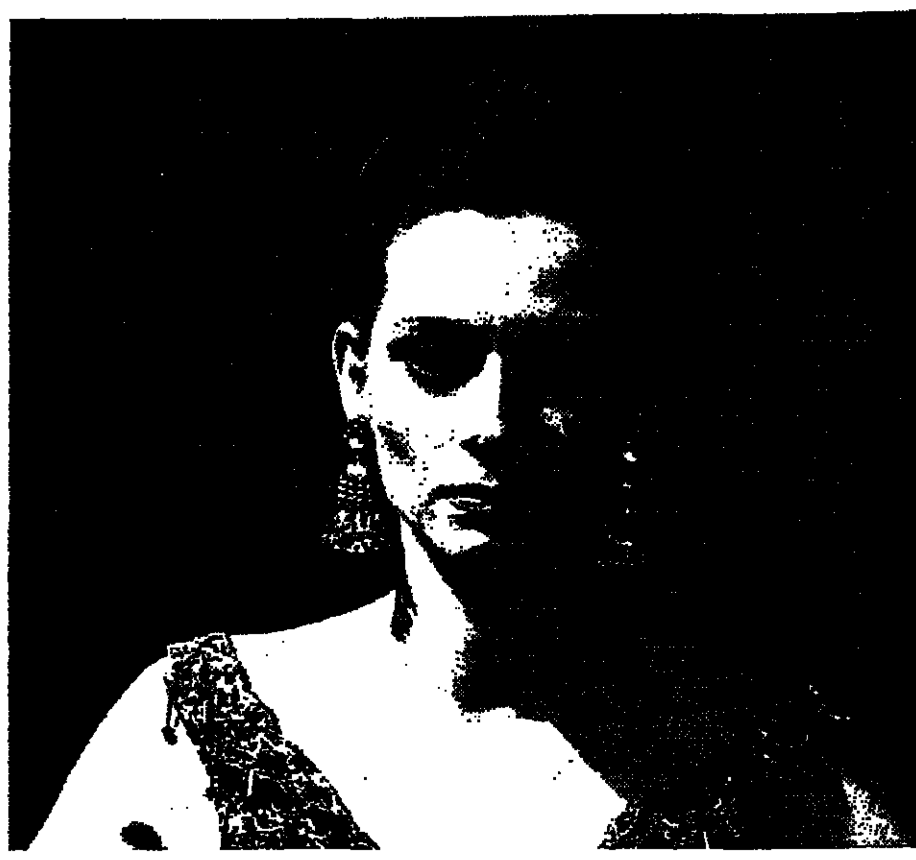
The Rescuers Down Under is an animated feature from Disney, rushing two international-rescue rodents to Australia to save a small boy from a vicious farmer (voice of George C. Scott). On hand: a funny salamander, a funny koala and John Candy voicing a funny albatross. Bright and fairly bubbling, though the Aussie landscape is austere on the colour palette.

★

Tough on the coffee table is the annual London Film Festival booklet. This worthy event is once more approaching – dates, November 6-21 – and we shall update you as the celluloid unspools. The booklet names the usual million or so films, half of which should never have been allowed to escape their cans. But there are masterworks, minor and major, about.

Worth early consideration. Mike Figgis's *Liebestraum*, shadow-wreathed thriller from the director of Internal *Affairs*; *The 600 Days Of Salo*, gripping Italian documentary about the last months of Mussolini; *Volere Volare*, Maurizio Nichetti's fantasy comedy about a man who becomes a cartoon; Lars Von Trier's *Europa*, blazingly inventive war fable from Denmark; Jacques Rivette's Cannes-honoured *La Belle Noiseuse*, the best film about an artist in recent memory; and from China two films heralding a new national cinema, Zhang Yimou's *Raise The Red Lantern* and Chen Kaige's *Life On A String*.

Nigel Andrews



Heroically heretical: Tilda Swinton in Derek Jarman's 'Edward II'

Little Eyolf

ORANGE TREE THEATRE, RICHMOND

The lesser known works of Henrik Ibsen have been the theatrical rediscovery of the year. After *Brand* at the Aldwych and the Royal Shakespeare Company's production of *The Pretenders*, we now have *Little Eyolf* at the delightful Orange Tree Theatre in Richmond.

Eyolf is in many ways the best of the lot. After this production, directed by Sam Walters, it should no longer be considered one of the minor works. It is up with *Hedda Gabler* at the top of the Ibsen league. The piece *reads* badly, which possibly explains why it is so seldom performed. One went to see it full of foreboding, fearing heavy Nordic pathos without compensating reward. It is not like that at all. At times it is even witty.

Take, for instance, the wonderful performance by Sheila Burrell as the Rat Wife, the woman who in the tradition of the Pied Piper lures away the rats with the assistance of a dog. "I used to lure myself," says Ms Burrell in an unforgettable way. "What did you lure?" "M-e-n," she says, dragging out the delivery as if to suggest that she did it in multitudes.

The play is also quite cheerful. The engineer who fails to get his girl is told by her that he is very persistent. "You have to be, to be a road-builder," he replies lightly. On being rejected, he does not go off and jump in the fjord.

If you normally think of Ibsen as fatalist and full of doom, you may be in for a surprise at the end. It is the dialogue, and the ironies within it, that dominate. When you recollect the piece as a whole, you will see that every sentence has been telling you something about what will unfold. *Eyolf*, when directed like this, is a very subtle play.

The revelation, though I suppose we should have known this from Fiona Shaw's recent performance as Hedda at the Playhouse, is how good Ibsen is with women. The central character here is Rita, a woman who is several times described as being "consumingly beautiful". That is a hard line to live up to. Leslee Udwin more than passes the test. She can also act, and does so with a strikingly deep, husky voice. Unlike Hedda, she goes on living, for this is Ibsen's calm at the end of the tempest.

Another woman runs Rita close. She is Jane Arden as Asta Allmers, the presumed sister-in-law who turns out not to be a blood relation at all. Given the strength of the women's parts, it is brave of David Rintoul to put in an appearance as the husband and typical Ibsen man, an intellectual longing for higher things. Rintoul does as well as can be expected in the circumstances, but this is a women's play.

There are other delights. The relationship between Alfred Allmers, the husband, and the woman he believes is his half-sister, seems so like that between William and Dorothy Wordsworth that Ibsen must have known a lot about the Lake District. There is also a background of social poverty that provides much wider dimensions than women in love and men in the clouds. The background is seldom intrusive, though when it is, it is fatal. It is always there. This is a play that *has* to be *seen*.

Malcolm Rutherford

Alastair Muir

Leslee Udwin and David Rintoul

Happy Families

TOWER THEATRE, N1

The massed membership of the Little Theatre Guild has embarked on a project that must rate, logistically at least, as the most ambitious of its life: 49 amateur companies in Britain (plus one in Israel) are performing the same play for a week after a substantial, and imaginative, sponsorship by British Telecom. The intention is to give a similar commission to a different playwright every two years.

First in is John Godber, an ex-teacher and canny populist, whose directorship of Hull Truck has spawned a new style of sporting comedy in which rugby (*Up 'n' Under*), judo (*Blood, Sweat and Tears*) or ski-ing (*On the Piste*) were worked into skilful but undemanding reflections of everyday life. He has responded with a sadly second-rate memory play, charting his own progress from 11-plus failure to MA, via scraps with the school bully, caravanning holidays – anecdotes slabbily designed to depict the progress of a working-class.

The setting is the Taylor household, where the young John grows up a measly plant tended by his joke-cracking father, mother, and an extended family whose members illustrate the lovable foibles of family life.

To some extent the weakness of the play reflects Godber's desire to cater to all tastes, all ages and all accents. His characters are simple line drawings to be shaded with local colour; they recount rather than act out, most of the dramas of John's life. But there is also a deeply reactionary streak running through the piece, which confuses the focus and compromises the vision.

John is representative of the thirtysomething generation; the chronology of his life is carefully plotted, from 11-plus in 1967, placing him at the end of the grammar school era. But Godber seals his characters in an airtight box of a play: instead of rock from the 1970s, the story is framed by the crackly crooning of '30s records.

This is Dennis Potter territory, which establishes an emotional and cultural heart in the grandparents' generation, as if Godber subscribed to the sentimental values of the good old days, even as he is illustrating his own alienation from them. How familiar this sentimental poppycock is. How one longs for some sign of ambivalence in Godber's outlook; for some complexity in his writing; for jokes which challenge, rather than confirm, the status quo.

The set is eloquently backed by a collection of picture frames, offering an opportunity for abstraction which as a professional director, Harry Landis, proceeds to ignore. The acting is excellent, with outstanding work from David Shannon, as John, Karen Killaspy, as his mother, and James Horne as his grandfather.

Claire Armitstead

Alban Berg

ROYAL FESTIVAL HALL

Though there is to be a BBC "Berg festival" in January – everything but the two operas – Tuesday's Philharmonia concert amounted to far more than an appetiser. Berg was only 50 when he died, and he composed slowly and scrupulously. With the Three Pieces for Orchestra (1913-23), the Chamber Concerto (1925) with solo violin and piano and the Violin Concerto (1935: his last completed work) this concert presented his whole *oeuvre* for orchestra without voices.

Pierre Boulez was to have conducted, but the young Finn Esa-Pekka Salonen, who replaced him, made his own *vivid* mark. The *Kammerkonzert* came first, out of chronological order, for it is not only the toughest nut in Berg but one that makes half a concert by itself – at least when the almost-full repeat of the final Rondo is observed, as it was (satisfyingly) here. The "chamber" orchestra of 13 winds was supplied from Boulez's seasoned, sensitive Ensemble InterContemporain. After the interval the Philharmonia trooped on for the Three Pieces in great numbers, briskly reduced for the Violin Concerto as conclusion.

Nearly every one of the *Kammerkonzert* winds gets a spotlight of its own, and all their solo moments bespoke no less acute appreciation of Berg's drift than the principal solos by Gidon Kremer (rapt, elevated, poignant) and the pianist Oleg Maisenberg. (by turns shyly intimate and spikily effective, always intelligent). Nothing was allowed to sound like mere note-spinning; the result was taut with musical muscle. Also pretty astringent: for Berg provided less of a softening harmonic halo here than usual, perhaps because the Concerto was planned as a 50th-birthday present for his stern master Schoenberg.

With familiarity, phrase upon atonal phrase in the *Kammerkonzert* discloses an urgent expressive import. The Three Pieces for Orchestra offer no less on their huge orchestral canvas, but the sheer din often conceals the fact. Salonen did wonders to clarify the texture, and thereby the message – *Mahlerian* struggles in the Prelude, ironic Mahlerian twists in the "Reigen" middle movement, explosive desperation in the *Marsch*. All of it was lyrically charged, so pointedly as to make one hear more embryonic *Wozzeck* in it than ever before.

In the Violin Concerto Kremer's playing was exemplary, even chaste, the better to expose the elegiac burden of the music. He made nothing showy of the extreme technical difficulties, though he resolved them with sovereign ease. The result was uncluttered and uncommonly moving, with the conductor's well-measured support. When Salonen learns to allow Berg's phrase-ends their gentle fades (sedulously marked in the score, but often ignored here), he will be a really distinguished exponent of the composer.

David Murray

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Jan Stulen conducts the Netherlands Radio Symphony Orchestra in a programme featuring Midori and Matt Haimovitz as soloists. In the *Kleine Zaal*, the Takacs Quartet plays chamber music by Mozart, Bartok and Schubert, with Miklos Perenyi clarinet, also Sat. Tomorrow: Jean-Yves Thibaudet plays Franck's Symphonic Variations and Liszt's Totentanz. Sat: Handel's Messiah. Sun: Shura Cherkassky recital (6718 345)
Beurs van Berlage 20.15 Ronald Brautigam plays Bartok's Third Piano Concerto with the Netherlands Philharmonic Orchestra, repeated tomorrow. Sun at 14.15: piano recital by Vladimir Ovchinnikov (6270 466)
Muziektheater 20.00 Alberto Zedda conducts Il barbiere di Siviglia, also Sat. Tomorrow and Sun: Dutch National Ballet (6255 455/credit card bookings 6211 211)

■ BERLIN

Komische Oper 19.00 Joachim Willert conducts Harry Kupfer's production of Cosi fan tutte, with Magda Nador as Fiordiligi and Werner Haseleu as Don Alfonso. Tomorrow: Cav and Pag. Sat: *premiere of new opera by Georg* Katzer. Sun: Swan Lake (East Berlin 2292 555)
Deutsche Oper 19.30 Stefan Soltesz conducts Il trovatore with a cast led by Rosalind Plowright, Leo Nucci and Giorgio Lamberti. Tomorrow: Wolfgang Rihm's Oedipus. Sat: Stravinsky ballets by Balanchine and Béjart. Sun: Lohengrin with Gwyneth Jones, John Tomlinson, Peter Seiffert, Ekkehard Wlaschiha and Eva Johansson (West Berlin 3410 249)
Schlosspark-Theater 20.00 Mozart's Der Schauspieldirektor staged by Alfred Kirchner, in a co-production between RIAS and the Deutsche Oper. Runs till Nov 26, with next performance on Tues (West Berlin 7931 515)
Schauspielhaus 20.00 John Nelson conducts the Berlin Staatskapelle in music by Brahms and Rakhmaninov (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 Jeffrey Tate conducts the Berlin Philharmonic Orchestra in music by Britten, Haydn and Schoenberg, also tomorrow and Sat (West Berlin 2614 383)

■ BIRMINGHAM

Symphony Hall 19.30 Alfred *Brendel plays* Beethoven's First and Fourth Piano Concertos with the City of Birmingham Symphony Orchestra under Simon Rattle, who also conducts Schoenberg's Variations for Orchestra. Repeated tomorrow at London's Barbican Centre (021-212 3333)
National Indoor Arena From tomorrow till Oct 27, there are daily performances of Vittorio Rossi's production of Aida, with casts including Grace Bumbry, Ghena *Dimitrova, Giorgio Lamberti and* Ingvar Wixell (021-782 0000)

■ HAMBURG

Staatsoper 19.00 Gerd Albrecht conducts Tony Palmer's new production of Simon Boccanegra, with Bernd Weikl in the title role, Yevgeny Nesterenko as Fiesco and Maria Guleghina as Amelia. Tomorrow: Window to Mozart, ballet. Sat: Il trovatore with Elizabeth Connell and Leo Nucci. Sun: Parsifal (351555)
Deutsches Schauspielhaus 19.30 Shakespeare's Romeo and Juliet directed by Michael Bogdanov, also tomorrow. Sat: The Tempest (248713)

■ LONDON

MUSIC

Covent Garden 17.00 Bernard Haitink conducts Götz Friedrich's production of Götterdämmerung, with Gwyneth Jones as Brünnhilde, Rene Kollo as Siegfried, John Tomlinson as Hagen and Ekkehard Wlaschiha as Alberich. Sat: Rigoletto (071-240 1066)
Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the Royal Philharmonic Orchestra in Mendelssohn's overture A Midsummer Night's Dream, Elgar's Falstaff and Strauss' Ein Heldenleben. Tomorrow: Young Musicians Symphony Orchestra plays Mahler's Second Symphony. Sat in QEH: Nicholas Cleobury conducts a concert performance of The Olympians (1949), part of the Sir Arthur Bliss centenary celebrations. Sunday's programme includes a concert by the Atlanta Symphony Orchestra, a recital by Rafael Orozco and the final of the 1991 BP Peter Pears Award (071-928 8800)
Barbican 19.45 *Michael Tilson* Thomas conducts the London Symphony Orchestra and Chorus in a tribute to Leonard Bernstein, with a programme including the Chichester Psalms and Symphonic Dances from West Side Story. Tomorrow: Alfred Brendel plays Beethoven's Piano Concertos 1 and 4, part of a Beethoven Piano Concerto cycle with the CBSO under Simon Rattle, continuing for the next two Fridays. Sat: Radu Lupu plays Mozart with the ECO under Colin Davis (071-638 8891)
Coliseum 19.30 The Mikado, also Sat. Tomorrow: La bohème (071-836 3161)

THEATRE

● The Revenger Comedies Parts 1 and 2: Joanna Lumley and Griff Rhys Jones head the cast in Alan Ayckbourn's new two-part dark comedy, which follows the lives of two strangers who meet on a bridge just before intending to commit suicide. Ayckbourn directs. The two parts are played on consecutive nights. On Wed and Sat, Part 1 is played in the afternoon, Part 2 in the evening (Strand 071-240 0300)
● Tartuffe: Paul Eddington, John Sessions and Felicity Kendal star *in this Peter Hall Company* production of Moliere's comic tale. Currently previewing. Press night next Tues (Playhouse 071-839 4401)
● Becket: Robert Lindsay and Derek Jacobi, as the king and Becket, star in Elijah Moshinsky's production of Anouilh's play, using a vernacular translation by Jeremy Sams (Theatre Royal, Haymarket 071-930 8800)
● Waiting for Godot: Samuel Beckett's famous non-story stars Rik Mayall, Adrian Edmondson and Christopher Ryan. Directed by Les Blair (Queen's 071-494 5040)
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Dvorak's New World Symphony and Schnittke's First Cello Concerto, with Natalia Gutman. Repeated tomorrow, Sat and Tues. Sun at 15.00: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Dvorak's Seventh Symphony and Tchaikovsky's First Piano Concerto, with Vladimir Viardo. Sun at 19.30: James Galway recital (875 5030)
Carnegie Hall 20.00 Murray Perahia gives his only New York recital this season. Tomorrow: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Sibelius' Finlandia and the Second and Seventh Symphonies. Sun at 15.00: Rostropovich conducts the National Symphony Orchestra. Mon: Mozart chamber music with Arleen Auger, Murray Perahia and the Vermeer Quartet (247 7800)
Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with a cast led by Peter Dvorsky, Sumi Jo and Stefania Toczyska. Tomorrow: La fanciulla del West. Sat matinee: Don Giovanni. Sat evening: Die Zauberflöte (362 6000)
New York State Theater 20.00 Christopher Keene conducts Rhoda Levine's production of B.A. Zimmermann's Die Soldaten, with Lisa Saffer as Marie. Tomorrow: *Loesser's 1956 musical The Most Happy Fella*, with Louis Quilico. Sat: American premiere of The Mother of Three Sons, dance opera conceived and directed by Bill Jones, with music by Leroy Jenkins (870 5570)

■ PARIS

Palais Garnier 19.30 Gala d'Etoiles: the principal dancers of the Paris Opéra Ballet take part in an evening of extracts from classical and modern repertory. Repeated tomorrow and Sat. Next week: Béjart Ballet Lausanne (4017 3535)
Opéra Bastille 19.30 Myung-Whun Chung conducts Jean-Pierre Miquel's production of Idomeneo, with a cast led by Keith Lewis, Sylvia MacNair and Carol Vaness. Repeated on Sat (4001 1616)
Théâtre des Champs-Elysées 20.30 Eliahu Inbal conducts the Orchestre National de France in Mahler's Ninth Symphony. (4720 3637)

■ VIENNA

Volksoper 19.00 Death in Vienna: Maurice Béjart's new dance work performed by Béjart Ballet Lausanne, music by Mozart. Also tomorrow, Sat and Sun (51444 3318)
Konzerthaus 19.30 Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra in music by Mozart, Takemitsu, Haydn and Bach/Schoenberg. Tomorrow and Sat: the Ensemble InterContemporain gives the opening concerts of the 1991 Wien Modern contemporary music festival (7124 6860)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1830, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
1940-2000 Inside Business

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday October 17 1991

Where next in broadcasting

AT ITS GESTATION, the 1990 Broadcasting Bill was considered a revolutionary text. As enacted, it was anything but subversive – a tribute to the lobbying skills of broadcasters and the fact that most British people, unlike most Conservative MPs, think Britain has pretty good television.

Behind the cries of pain and joy at yesterday's franchise awards, this evolutionary regime was plainly visible. True, four franchise holders have lost their crowns, but these have gone, without exception, to accomplished television professionals. As a result, the list of shareholders in the ITV system has hardly changed. Channel 4, now free to sell its own advertising, looks reasonably secure, as does the main counterweight to the BBC newsroom, Independent Television News.

On the regulatory side, the Independent Television Commission has replaced the Independent Broadcasting Authority and although it has fewer specific scheduling powers than its predecessor, it still has a duty to require programmes of quality and diversity and the power to revoke licences where duty goes unobserved.

Financially, there has been much talk that the auction process has lured the industry into pledging revenues it will not have. Overall, however, the net additional revenue outflow under the new system, put by the ITC at £40m a year, looks manageable, although it is spread unequally between those, like Central, which successfully bid low, and those, like Carlton, that successfully bid high. Reserve prices in the auction would have diminished this problem.

Those inclined to weep for the dispossessed should also remember that the franchise system has only been necessary because Britain has a highly regulated commercial TV industry, in which regional monopolies are granted. Because normal market forces do not apply – either to promote efficiency or to permit changes of ownership – artificial mechanisms are necessary. It is to be hoped that during the next 10-year cycle, the ITC really will allow a much freer market in mergers and acquisitions: it ought not to be necessary to repeat the kind of everything-up-for-grabs auction which ended yesterday.

Wider lens

Nor does the re-landscaping of broadcasting, as undertaken by Capability Thatcher, look any more dramatic from a wider lens. Apart from a modest deregulation of the ITV system, provision has been made for the emergence of satellite and cable TV and, most surprising of all, the BBC is striding into the 1990s with an index-linked income, having recently expanded into a new radio network and a television version of the World Service.

And yet reform there will have to be; the spur behind the original bill continues to prick. A fifth, almost nationwide, terrestrial television licence is due for auction by 1993; after a shaky start, satellite TV has established itself in 1.7m homes; and with the arrival in force in Britain's cable TV industry of North American telecommunications companies, it looks as if that business could steam from the doldrums as the economy strengthens. More TV competitors must mean less regulation.

Nor is there only a reactive case for change. It is clear that viewers want a greater diversity of services and it is desirable on business as well as political and cultural grounds that there should be as little regulation by politicians and their servants as possible. In industrial terms, Britain has a fragmented broadcasting industry, in a world increasingly dominated by foreign giants, several of whom are based in Europe and are now free to enter UK terrestrial broadcasting. It is also essential to plan carefully the future of the BBC, that unwieldy but prized institution whose royal charter expires in 1995, and which cannot stand forever on the crumbling rock of a tax on the ownership of television sets.

Piecemeal view

It is unfortunate that these matters tend to be considered piecemeal. Thus, every five years or so, we have a debate about the ITV system, followed by a franchise round. Then we have a debate about the BBC, usually accompanied by a public inquiry of the kind Labour has already promised if it wins the election. Satellite is not really debated at all, since the government appears content to allow it to play by completely different rules – non-European ownership, for example, is possible in satellite, but not in terrestrial TV.

Through this thicket, two primary issues struggle for elucidation: the future of public service broadcasting; and the need for an appropriate framework for the ownership of both print and broadcasting, designed to strike the right balance between cultural, regional and political diversity on the one hand and industrial efficiency on the other.

It would thus be short-sighted if the next phase of the broadcasting debate became "the BBC debate"; it may well be desirable to spread public funds for broadcasting more broadly than to a single corporation. Perhaps a single TV regulator is required, rather than the two-headed monster of the ITC and the BBC board of governors, with its leash-full of whelps, such as the Broadcasting Standards Council. Equally, the issue of BBC funding is bound to raise again questions about the size of the advertising and sponsorship pool. Today, all of these matters must also be considered in the context of a European Community policy which smacks unhealthily of a fortress Europe mentality.

It is doubtful that another commission of inquiry is needed to shed light on these matters. What will be required, after the election, is a government clear-sighted enough to build a single framework of regulation and funding for an ever more diverse and international broadcasting industry.

Advise, consent

IT IS the constitutional duty of the president of the United States to propose nominees to high public office and of the Senate to advise and consent. With powers divided between executive, legislature and judiciary, it is a system which has served the country very well for over 200 years, even if the Founding Fathers did not necessarily envisage the politicisation of the Supreme Court.

Its great merit is its transparency; it is not foolproof – no system is – but it has blocked more charlatans than it has admitted. Its potential weakness, dramatically illustrated in recent days, is that the process is liable to excess and political manipulation. The question, very much on Washington's mind, is whether the system needs changing.

The answer must surely be in the negative, with one proviso. This is that both president and Senate show themselves able to rise above narrow partisan or ideological conviction in proposing and considering a nomination, especially for the Supreme Court, on which justices sit for life. It may be natural for a president to choose someone who shares his values and natural for the Senate, if controlled by the other party, instinctively to raise questions but there should be limits to this process.

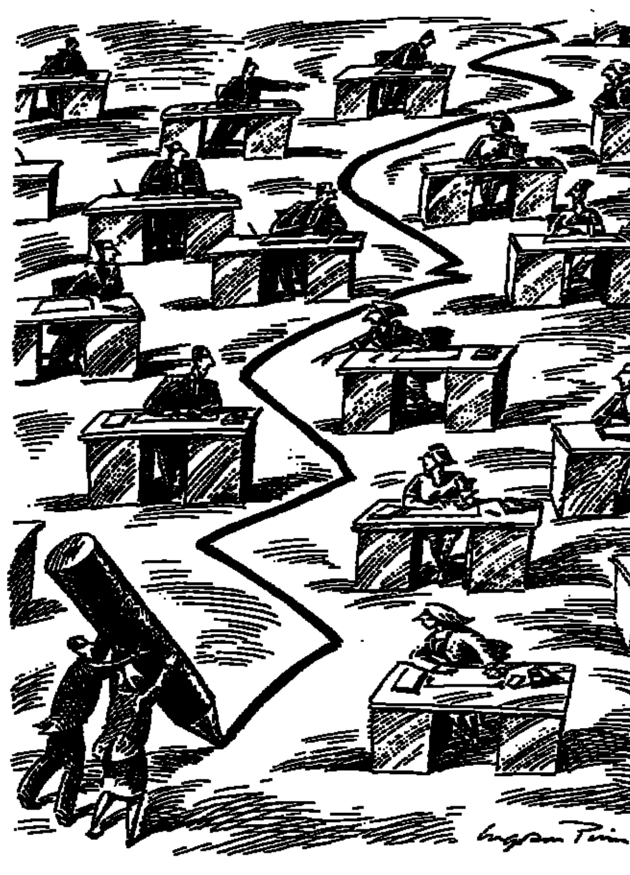
The cases of Judge Clarence Thomas and Mr Robert Bork, rejected in 1987, show the president and Senate at their worst. Mr Bush proposed Judge Thomas not because of his judicial distinction, which earlier hearings showed to be much in doubt, but for the political reasons that he is a black conservative from the south likely to vote further limits on a woman's right to abortion. The Democratic Senate turned down Mr Bork not because of his legal qualifications, which were exceptional, but because he was the sort of conservative thinker who could dominate for years an already conservative but undistinguished court. The Thomas nomination may be seen as the Republican political revenge for Mr Bork.

Playing political games with an institution as vital as the Supreme Court is not new and it is a consolation to know that justices often become their own men once on the bench; over the last 50 years, Earl Warren, Hugo Black, Harry Blackmun, Potter Stewart and Byron White all left behind their original political patrons, to the nation's benefit. But all had public or legal records of substance when nominated.

Judge Thomas did not. In the event the vote narrowly to confirm him was probably not much different from what it would have been before the charges of sexual harassment were laid against him in a charade in which the truth was unfathomable. But, even here, it must be noted that, from the bench, he will be ruling on matters affecting women, especially abortion. No matter how distasteful this episode, his attitude to them was a legitimate area of public concern.

Sexual harassment is a highly sensitive issue, says **Martin Dickson**

Workplace advances



It was as surreal as it was tawdry. But the political circus which surrounded this week's elevation of Judge Clarence Thomas to the US Supreme Court has at least highlighted a workplace issue – the sexual harassment of women – which is increasingly sensitive in North America, and is slowly becoming so in Europe.

Professor Anita Hill's allegations that Judge Thomas harassed her, whether true or not, have brought bubbling to the surface a well of anger among US women over their treatment by men at work.

Her graphic testimony before the Senate Judiciary Committee – flatly denied by Judge Thomas – has sparked off countless "me, too" reminiscences by women, many of whom have revealed ugly incidents in their past for the first time over the past week.

Polls have backed up this anecdotal evidence that harassment is pervasive in the workplace. One conducted by the New York Times and CBS News found that four out of 10 women said they had encountered unwanted sexual advances or remarks from men they worked for, but few had reported them at the time.

But as the furore over the Thomas appointment ironically demonstrates, the US has gone further than most other nations in confronting the issue and seeking solutions. A succession of court judgments and federal government guidelines over the past decade have gone a considerable way towards defining what constitutes harassment – though this still remains a grey area. Employers know they lay themselves open to costly legal battles if they cannot demonstrate they have taken steps to combat the problem.

But while these measures may be a palliative, they have hardly eliminated the problem. This would require a much more fundamental revolution in social attitudes and the balance of power between the sexes. And it is moot whether the outcome of the Thomas hearings will help or hinder the position of women.

Three factors probably explain the relatively progressive nature of the US in confronting sexual harassment. One is ideological. The country's belief in equality, though more honoured in theory than in practice, has been extended to specifically encompass minorities, notably through the 1964 Civil Rights Act.

The second is practical: the US is an extremely litigious society. The third is economic: over the past 20 years the number of women in the US workforce has soared from about 30m to more than 50m, and women now make up some 45 per cent of the labour force. This has both increased the potential for workplace harassment and enhanced the clout of women who complain.

Economic self-interest is likely to make both US and European companies more sensitive to the issue over the coming decade. For countries on both sides of the Atlantic are facing potential shortages of skilled workers, and will therefore rely even more on female labour.

It was in the 1970s, spurred by a sudden push of women into the workforce and the concomitant emergence of a vocal women's movement, that sexual harassment began to emerge as a significant legal issue in the US. However, it touched few lives until the past decade, when two important rulings changed the landscape.

The first came in 1980 when the Equal Employment Opportunity Commission, a federal government agency which investigates bias at work, issued guidelines which stipulated that making sexual activity a condition of employment or promotion violated the 1964 act. The second was in 1986 when the Supreme Court upheld this assertion and also backed the commission's more controversial contention that the creation of a "hostile or abusive work environment" was also a violation of the act.

That, however, still leaves a large question-mark over what constitutes a hostile environment. Trying to force a subordinate into bed is clearly harassment, but is complimenting a woman on her physical appearance? Or putting up pictures of nude women on factory walls? Or bombarding someone with love letters? Many social studies have shown that what a man may perceive as flattering, a woman is more likely to find offensive, degrading and threatening.

Two federal court decisions this year have gone some way to clarify the matter, for both implied that the yardstick for judging the issue was the reaction of a "reasonable" woman when confronted with the behaviour. Thus, a court in Florida upheld a female welder's complaint that a men's club atmosphere, complete with pornographic pin-ups, constituted harassment, while a California court made a similar ruling over a stream of unwanted love letters.

All this poses considerable challenges for employers, both in defining unacceptable behaviour and taking action when it arises. All big US companies as well as government departments have explicit policies condemning harassment in general terms, and clearly laid-down methods of dealing with complaints (including by-passing supervisors, who are often the cause of the problem). Managers are usually given training in handling grievances and workers are offered programmes to heighten awareness.

Some companies – almost certainly a minority – have gone substantially further. For example, Honeywell, the electronic controls manufacturer, has spelled out plainly what it regards as unacceptable – including catcalls, sexual jokes and repeatedly looking a woman up and down. The company is so sensitive to the issue that it recently removed some tasteful nude photographs from an art exhibition at its headquarters.

Du Pont, the chemicals group, has not only put 65,000 of its 100,000 US employees through voluntary workshops but also runs a confidential "hot-line" which women can use to air grievances if they are worried about using more normal channels.

Ms Faith Wohl, the Du Pont official responsible for the programme, says while it has brought to light more cases of harassment than before, it has also reduced the number of women taking their grievances to the courts. She adds that women are becoming increasingly vocal about the action they want companies to take: a few years ago they wanted the harassment to stop; now they are more likely to say: "'I want him out of here.'"

Women seeking compensation outside the corporate framework can either file a suit themselves – usually naming both the man involved and the company as co-defendants – or take the case to the employment commission, which will pursue the matter under the 1964 act. Complaints filed with the commission rose from 3,661 in 1981 to 5,694 last year, but this represents only the tiny tip of an iceberg. Many lawyers advise their clients to by-pass the agency, either because it takes action in so few cases or because damages awarded under the 1964 act are limited to back-pay and reinstatement in a job.

Ms Judith Vladeck, a New York lawyer who specialises in harassment cases, also points out that for all corporate America's fine words, it is often the victim of a harassment case, rather than the perpetrator, who ends up leaving the company.

"Until employers act in a way that makes it clear they mean business, and employment will be terminated if someone engages in this kind of conduct, it will continue to happen and women will continue to be victims," she says.

It will also continue because women remain frightened to allege harassment for fear of being cast as a trouble-maker or a sexual adventuress who has encouraged male advances. They also face formidable barriers in proving their case, for as the Thomas affair has shown, the issue often boils down to his word against hers.

The fact that the all-male Senate Judiciary Committee did not fully investigate Prof Hill's allegations – until it was forced to by a burst of female outrage – will have reinforced the view of many US women that the dominant male power structure simply does not comprehend the issue as a serious one.

Furthermore, the barrage of character assassination fired against Prof Hill – who was accused in the congressional hearings not just of lying, but of being a woman scorned, a fantasist and a ruthless careerist – shows why many women simply do not think harassment complaints worth the trouble they cause.

To this extent, the Thomas hearings may prove a setback for the anti-harassment cause. On the other hand, the airing of the issue in such a public manner can only heighten awareness among men of the perils they run; and among women of the fact that the problem can be treated seriously, and is more common than many imagined.

BOOK REVIEW

Outrage in Washington

SCANDAL: THE CULTURE OF MISTRUST IN AMERICAN POLITICS
By Suzanne Garment
Time Books/Random House, $23

Over the past week, Americans have been riveted to their television sets by an enthralling display of policymaking as spectacle, as the US Senate made up its mind to confirm Judge Clarence Thomas's nomination to the nine-member Supreme Court.

The hearings into charges that he had sexually harassed Ms Anita Hill, a 35-year-old law professor from Oklahoma, when she worked for him 10 years ago, provided moments of farce as well as tragedy.

But what was striking to a foreigner was how little Judge Thomas's opponents attacked him on his weakest point: his patchy qualifications and competence to sit on the highest court in the US.

In part, this may be attributed to the political sensitivities of Senate members to lobbyists and constituent groups. Liberal whites may have been reluctant to attack Judge Thomas, a black man, for fear of appearing racist and alienating some of their black voters.

Mrs Suzanne Garment, a former Washington columnist for the Wall Street Journal, has a broader explanation.

In Scandal: The Culture of Mistrust in American Politics, Mrs Garment argues that the US has created a scandal machine that targets only personal ethics – whether those of Mr Charles Keating, a businessman indicted in the savings and loan crisis, or those of Lt Col Oliver North in the Iran-Contra affair – at the expense of policy debate and good government.

"In each of these cases the great wrongs were those of politics and policy and should have produced a huge scandal by virtue of the incompetence involved. Instead, we seemed – and still seem – able to focus only on scandals of intention, moral failing and criminal liability," she writes.

Mrs Garment traces the development of this scandal culture back beyond Watergate, traditionally viewed as the beginning of an era, to the Vietnam war. The war gave birth to an opposition which viewed conventional political authority as not merely misguided but fundamentally illegitimate.

"Criticism of the Vietnam war did not treat the issue as if it were a massive policy dispute or a power struggle or an ideological battle or even a moral debate. Instead, this attack treated the war as a massive scandal – both a violation of the law and an unambiguous moral shock."

The author gives a brief and entertaining history of American political scandals, beginning with Presidents Thomas Jefferson and Andrew Jackson, and regretting in passing that reporters no longer describe their quarry as men of "greasy conscience", "greasy tongue", and "greasy backbone", as did Mr David Graham Phillips, a journalist, in 1906.

She concentrates, however, on the Carter and Reagan presidencies, and on the machinery that evolved for the mass production of scandal: investigative lobby groups, congressional committees, independent counsel and publicity-seeking prosecutors.

In the process, she makes it clear that the Thomas hearings were nothing new. Congressional committees have a long history of looking for dirt on nominees' pasts, as they do of transforming their proceedings into kangaroo courts with none of the protection normally afforded to defendants and witnesses in a trial.

Indeed, the American Bar Association set up a sub-committee to investigate congressional investigations, and came up with a set of model rules, largely ignored by Congress, designed to prevent abuses.

Mrs Garment's thesis is that all this muckraking is unrelated to any real rise in unethical behaviour, and has damaged government by discouraging able people from public service and by deterring officials from taking decisions that might stir up debate and so make them the target of a personal attack.

She shows little hope that the scandal machine might grind to a halt; too many people now have a vested interest in the business of scandal.

"We will stay mired in our current scandal trap until more people start saying that contempt for ordinary politics, an attitude we see underlying many of our current scandals, is a corruption even more dangerous than stealing money from the public till," she says.

Will the episode which ended on Tuesday night with the Senate's confirmation of Judge Thomas bring the sort of change in opinion Mrs Garment hopes for?

It may, in fact, do the reverse, for public outrage over the Senate's neglect of Prof Hill's original allegations – even among those who believed Judge Thomas – seems likely to open up the field of sexual harassment as a new area for scandal-seekers.

The scandal machinery may have unearthed Prof Hill's claims, but it was the reaction of men and especially women across the country which forced the reluctant Senate to conduct hearings into the charges.

But Judge Thomas's experience may well deter other judges, more qualified than he, from accepting a future nomination to the Supreme Court.

George Graham

Brewer's froth

■ Whether or not Henry Ford said "History is bunk", a good many businesses seem to treat it as such these days if it suits their commercial interests. Take for example Scottish and Newcastle Breweries' latest marketing ploy for its celebrated Newcastle Brown Ale.

In a link with the Royal Mail, an estimated weekly total of 12m letters posted in North-east England are to be franked with the slogan "100 years of brewing tradition", and the added message that 1991 is the centenary of the birth of Newcastle Brown's creator, Colonel James Porter.

Since the cost of having the plug circulating on millions of envelopes is under £2,000, the exercise certainly makes sense in marketing terms. But how about the historical sense of the slogan?

After all, the centenary is of Porter's *birth*. So unless he created the ale when he was the same age as Benneton's bloody baby, "100 years of brewing tradition" must be over the top. In fact, he had reached his mid-30s by the time he perfected it in 1927.

"I'm lost for words," said Sue Hannay, a brand manager for the ale, when the point was put to her.

A touch of artistic licence, perhaps? "Yes, I can't deny that," she confessed.

OBSERVER

surely be – if not the rest of us in his adopted country – must be accepted as European by now.

That aside, the canny Moller, whose UK-flag fleet alone ten times outnumbers that of Baltic chairman Peter Tudball, was once asked the reasons for his success.

Whereupon he pointed out that, of all the offices in his huge company's headquarters, his is the only one to have a carpet in the corridor outside. "Good housekeeping," he said.

Squatter

Seal of approval

■ As it's not often that London's Baltic Exchange hands out its honorary Vellum, it has been making a bit of a fuss over Denmark's Maersk McKinney Moller, one of the grand old men of world shipping with a 150-strong fleet.

But the Baltic must be stuck in some time warp to describe 78-year-old Moller as its "first European Honorary Member".

The list of honorary members has for years been headed by the Duke of Edinburgh, and

Nil carborundum

■ Observer's award for coolness under fire goes to the television crew filming share-trading at stockbroker County NatWest yesterday. The poor chaps were from Thames Television, whose corporate death sentence was announced over the Tannoy at 10am.

"They didn't really show any emotion," said a County stalwart. "They were just desperate to get good pictures of the dealers."

Professionalism to the end.

Secret weapon

■ Were professional diplomats, not to mention the military, kept in the dark about the negotiations leading to yesterday's Franco-German initiative for a European defence force?

A clue to the answer came in a conversation overheard at a Bonn party on Tuesday, which began when Hans-Werner Lautenschlager, EC affairs secretary in the German foreign office, asked French ambassador Serge Boidevaix: "Well, ambassador, are you ready for tomorrow's announcement?"

Boidevaix: "What announcement?"

Lautenschlager: "The Franco-German initiative on political union, of course."

Boidevaix: "Oh, I didn't know it was on tomorrow."

Lautenschlager: "I am so sorry. Of course you should have been kept informed."

It now looks obvious that the only people who knew about the negotiations were in the Elysée and the Chancellor's office in Bonn. The German foreign office was aware of the deal, but had no part in it. Several senior diplomats confessed that although the telegram had lain on their desks over the weekend, they hadn't bothered to read it. And as for Germany's ministry of defence...

"Honestly, I can't tell you anything, because I don't know anything," a senior official there declared.

Summing up

■ Britain's Central Statistical Office, which is nonplussed in its search for a new boss, should start accentuating its positive side. Whatever the quality of its standard products, there's no doubt it occasionally turns out notable figures: three Nobel prize winners in the past 14 years.

Professor Ronald Coase is the latest to have spent his early career crunching numbers for the CSO. Sir Richard Stone, best known for his work on the National Accounts and Nobel laureate in 1984, was recruited by the office's first director Sir Harry Campion. James Meade, who overlapped with Stone and Coase, won the prize in 1977.

Odd fellows

■ What have Australia's ex-prime ministers Malcolm Fraser and Gough Whitlam – veterans of the 1975 constitutional crisis – got in common? Not a lot, except mistrust of the Kerry Packer/Conrad Black bid for Australia's Fairfax newspaper empire.

Along with other heavy-weights from all sides of the political spectrum they've signalled their concern in a letter to the flagship Fairfax newspaper. It is the surest sign to date that while the Packer/Black Tourang consortium might have the most loot and management experience, it is still far from certain to win the day.

Resistance to Tourang is based on widespread fears that, if it succeeded, there'd only be two big players in the Australian press: Packer and Rupert Murdoch. The latter controls 48 per cent of the local print media, Packer 19 per cent, and the Fairfax family 12 per cent. It is the stuff which fuels political nightmares. It also raises the question of why Canada's Black felt it necessary to throw in his lot with Packer. Couldn't he have found a local partner who would have caused less offence?

Good thinking

■ How do you create a European bond portfolio which exactly matches a client's requirements?

EMU-nise it.

ECONOMIC VIEWPOINT

Massachusetts Ave vs the shmoos

By Samuel Brittan

There is a mainstream eastern seaboard US view of international economics. Prof Paul Krugman of the Massachusetts Institute of Technology is one of its most distinguished exponents, and, after a period of apostasy, he has returned to the fold. He calls his beliefs the "Mass Ave" view of international economics, because its main strongholds are located in Washington in or near Massachusetts Avenue. The main Mass Ave preoccupation has been the twin US deficits: budget and balance of payments. Its main policy prescriptions have been tax increases and dollar depreciation. The main instruments prescribed for obtaining the depreciation are easy money and tight fiscal policy.

On the surface, Mass Ave has had very little of what it desired, even though it has had a more sympathetic hearing under President Bush. The tax increases have been backdoor and modest. The budget deficit started to rise again after a much smaller reduction than Mass Ave recommended. Monetary policy has been eased in terms of interest rates, but only in the last year or so. In terms of the targeted monetary aggregates, it has tightened.

A shmoo is someone who doubts the need for frequent exchange-rate adjustments

Nor has the dollar conformed to the policy prescription. It fell quite sharply up to the Louvre Accord of 1987, but has since bobbed up and down at a much higher level than most Mass voices had desired.

Nevertheless, one thing has happened that the Eastern seaboard mainstream fervently desired. The US balance of payments deficit has declined. Take no notice of its near-disappearance in 1991, which mostly reflects international payments for the Kuwait war, as well as the recent US recession. Even by 1990 the deficit had declined enough for the Institute for International Economics to organise a conference on International Adjustment. The Institute has issued Krugman's contribution as a separate publication entitled Has the Adjustment Process Worked?* He answers with a resounding yes. Even more important in his eyes, the policy model has been vindicated.

He identifies two sets of opponents: the structuralists and the "shmoos". The structuralists are the sort of people who believe that the US – or almost any other country they analyse – has a deep-seated problem in relation to Japanese import penetration, which no feasible amount of currency depreciation or any other kind of financial or price-mechanism policy can cope. They peddle a sort of bogus profundity and their main remedy of "industrial policy" is difficult to distinguish from old-fashioned protection in modern dress. The structuralists enjoy a very good run in the correspondence columns of the Financial Times; may I just this week join with Krugman in dismissing them?

I have more sympathy with the shmoos. (The name has its origin in some totally different esoteric controversy.) A shmoo is someone who has doubts about the need for frequent exchange-rate adjustments and suspects that, not only western Europe, but the whole OECD world, forms an optimum currency area in which exchange-rate changes do more harm than good. As Michael Prowse wrote in his American column last Monday (after a similar conference in Bretton Woods) the most persistent and courageous shmoo has been Prof Ronald McKinnon of Stanford.

I would not myself dispute that international adjustment has "worked". For there has never been a problem in the first place, apart from the overshooting of the dollar in the initial Reagan term. The German and Japanese surpluses, which used to be the counterpart to the US deficit, represented contributions to world savings which were extremely useful in providing the world with resources for development and keeping down real interest rates. The Mass Ave campaign against them was highly misguided and did not even follow from its own economic model, but only from the the politics of Washington. The German surplus has swung into deficit because of reunification. The excess of savings over domestic investment, which made the country's payments surplus possible, went into reverse as the demands for help from the east increased.

In any case, America's own problem has been not its payments deficit but its budget deficit, which is not a genuine twin and represents a burden for future generations of taxpayers. Krugman's explanation of why the deficits have ceased to be twins is that the budget one is not what it seems:

● The cost of the savings and loan bailout does not reduce national saving and should not be part of the budget deficit.

● As a proportion of gross national product the deficit did fall from 1985 to 1989.

● Apart from the bailout, the recent worsening of the deficit reflects recession – cyclically corrected, the improving trend is still there.

● There has been some improvement in private saving (presumably corrected for the recession) – which is analytically equivalent to a deficit reduction.

I am gullible enough to agree with most of the above.

But I do not believe that, if the underlying Budget deficit disappears or diminishes to manageable proportions, the payments deficit will necessarily diminish with it – any more than it did when the UK was running a budget surplus. Whatever payments deficit remained would represent a judgment of world investors about how much they would add to US domestic savings.

Krugman has a revealing account of how the US avoided the "hard landing" long predicted by *the Washington Institute* if the dollar and budget deficit did not shrink by much more than it has. He attributes the soft landing to the ability of the US to attract continued capital flows; and he elaborates an undershooting model in which foreign investors buy the dollar in the hope of a recovery, thus bridging the trade gap. It seems almost a shmoo model. The Mass Ave view was that investors would *sell* the dollar because neither it nor the budget deficit had fallen nearly far enough.

Krugman's table of consensus US elasticities can also do with a little scrutiny. (It resembles the estimates of those who think that the UK has a balance of payments constraint). Its implication is that, to improve the US balance of payments by as little as 1¼ per cent of gross domestic product over four or five years, a real depreciation of 20 per cent would be required. A shmoo might fear that:

● The attempt to bring this about might require a much larger nominal dollar devaluation which would, in turn, facilitate an inflationary spiral.

● A modest annual adjustment via a low inflation rate might be more effective in bringing about any required change in US terms of trade.

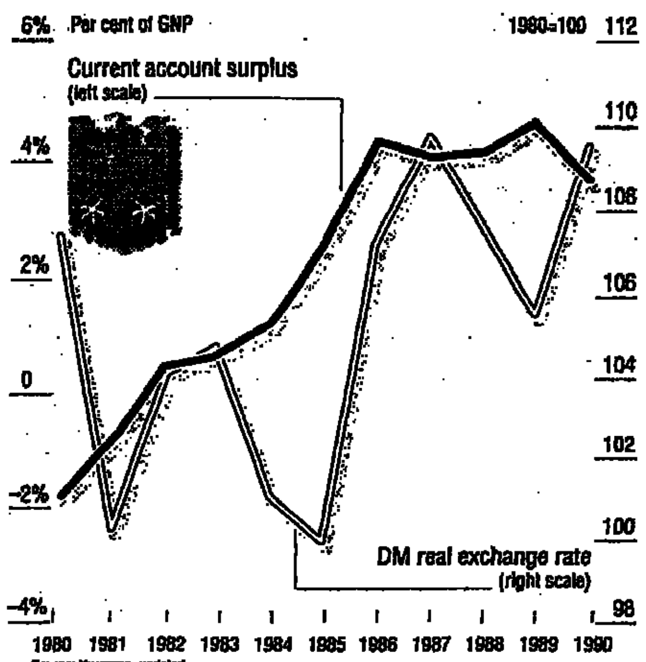
● The main obstacle to such a low inflation policy is the US record of trotting inflation – averaging around 4 to 5 per cent a year – which itself affects expectations for the price level and the currency.

● The high income elasticity of demand for imports and low one for exports may themselves be a mis-specification reflecting inflationary expectations and past excess demand.

Nevertheless Krugman is always well worth reading, even by a shmoo. He is particularly interesting on Germany, where he provides an explanation for the lack of relationship between the D-Mark's real exchange rate and the German balance of payments. "The reason is that when trade flows are as large as they are within Europe, the exchange rate changes needed to accommodate capital flows are small and easily obscured by growth effects, measurement error and secular change." Exactly. Roll on the single currency.

**11 Dupont Circle, NW Washington, DC, 20036, $12.95.*

GERMAN BALANCE OF PAYMENTS



Source: Krugman, updated

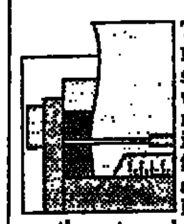
Representative elasticity estimates	Imports	Exports
Income elasticity	1.8	1.2
Long-run price elasticity	1.1	0.8
Lag from exchange rate change to initial trade volume response	0.6	0.8
Exchange rate effect on price	0.9	0.2

Source: Krugman

PERSONAL VIEW

Britain's high-speed gateway to Europe

By Peter Hall



Two government decisions last week have momentous implications for the development of London, of the south-east, and of Britain in Europe. The statement by Mr Malcolm Rifkind, the transport secretary, that the government would safeguard the Ove Arup line for the Channel tunnel high-speed rail link, was followed by that of Mr Michael Heseltine, the environment secretary: there would be a study of development prospects in the East Thames corridor.

The two decisions are, of course, linked. They signal that the government has given an amber light, at least, to what ultimately could prove the biggest urban development scheme in British history – larger perhaps than the eight original London new towns, or London Docklands. But the rail link will be more: facing the capital firmly eastward, it will be London's – and Britain's – gateway to Europe.

A sense of history is needed to understand the significance. In modern London most great structural decisions have concerned transport: the building of the Tubes and especially their extensions, which created suburbia; the wartime decision to build Heathrow, which triggered later growth in the M4 corridor; the M25; the decisions to develop Gatwick in the 1950s and Stansted in the 1980s.

Now there is another. No one who has followed events in Europe, no one who has travelled at 187mph on the TGV Atlantique, can have any doubt that high-speed trains will be a major formative technology of the 21st century. They will have as profound an effect on urban development as the original railways in the last century, or the motorways in this one. And this effect will be particularly dramatic in north-west Europe, where the geography is particularly favourable to them. Cities that fail to connect themselves to the new network will do so at their peril, just as Newbury and Northampton discovered when the original railways bypassed them 150 years ago. But now it is world cities, like London, that must take heed as they compete in a new international Europe with Paris, Brussels, Frankfurt and Berlin.

That is why the route matters so much. True, because high-speed trains are so new, we do not have much direct knowledge about their impact. We do know that Lyon has reconstructed itself, building a new city centre around the new Part-Dieu station on the TGV-Sud Est, opened in 1981. Similarly, Osaka has developed an important new business centre, separate from the old core, around the Shin-Osaka (New Osaka) station.

In London, the new line will end at King's Cross. BR wants it as an interchange hub between the north and the continent, because of Customs considerations and because the new Transmanche trains, built to run on several different European railway standards, will prove expensive compared with regular Inter-City trains. But a station at King's Cross is tied to the big redevelopment above the station, which now faces local planning problems.

In any case, an intermediate station at Stratford could compete vigorously with it. By the end of this decade Stratford will have two Tube lines (Central and Jubilee), the Docklands Light Railway and the new Crossrail express link from central London. Equally important, it will be linked three ways via an M11 extension: to a rebuilt North Circular Road, to a new bridge across the Thames, and to a high-quality highway via Canary Wharf into the City. Thus it can be what King's Cross could never be: an important park-and-ride station, offering facilities just like a big airport. And, logically, around it should grow the kinds of commercial development that now surround Europe's air hubs.

But there is much more than that. The East Thames corridor offers not merely a whole series of housing opportunities – in effect, a string of new garden suburbs bordering the Thames – but also huge commercial potential. At its western end, just off the high-speed line but connected to it, are the Royal Docks where development is now halted by the recession in the construction industry, but where the basic infrastructure is now almost complete. Downstream is Rainham, where MCA's proposed studio and theme park is now likewise stalled but could revive. And, across the Thames in Kent, close to the M25, Blue Circle is developing proposals for its chalkpit lands.

The prospect is thus immensely exciting: in combination, a combined high-speed link, a new commuter-line spine built in parallel (thus saving costs on both), a series of significant international developments, and a city of riverside garden suburbs. And all of them facing directly out down the Thames gateway into Europe, with direct access to Paris, Brussels and the European heartland. As the business cycle turns upward, the development industry revives – almost certainly, just at the right time. The commercial potential is mind-boggling.

It will need careful assemblage and good overall strategic planning, both in terms of land use and in terms of the necessary financing. Here, last week's announcement is significant: the rail link will be privately financed, so it and the wider development must be seen as an integral package.

Provided that is forthcoming, the impact could be truly historic: London's westward drift, which began four centuries ago, could be reversed. A decade ago, Mr Heseltine began that process by creating the London Docklands Development Corporation. Now he has the chance not only to succeed where Canute failed, but more: not merely to halt the tide, but to reverse it, down the Thames and into Europe.

The author is director of the Institute of Urban and Regional Development of the University of California at Berkeley, and is special adviser to Mr Michael Heseltine. This article is written in his personal capacity

LETTERS

Wrong conclusions on works councils

From Mr Eric Forth MP.

Sir, Dr Heller makes two points (Letters, October 10) about the proposed EC directive on European Works Councils. He says that works councils such as those proposed have not damaged the efficiency of other European countries with mandatory schemes. And he criticises the basis on which we drew conclusions from our consultation exercise because only one-quarter of those who were sent the consultation document responded.

On the first point, the proposal in the draft directive is for a trans-national works council – a statutory body which does not, and indeed could not, exist at the present time anywhere in Europe. It is wrong to draw conclusions about how the EC proposal might work on the basis of existing, purely national, schemes. The proposal has been opposed by employer organisations across Europe and also by UNICE, the European employer group.

On the second point, I do not accept Dr Heller's criticisms of the conclusions drawn from our consultation exercise. It is our practice to consult as widely as possible on all the many proposals put forward under the Social Action Programme. Not all the organisations consulted will be directly affected by each proposal. I am satisfied that the responses we received covered the great majority of those who would be affected by the European Works Council proposal. In any case, it is indisputable that business, not only in the UK but throughout Europe, sees the proposal as a threat to their own arrangements for worker participation.

Eric Forth,
parliamentary under-secretary of state,
Department of Employment,
Caxton House,
Tothill Street, London SW1

Investment in US gas pipeline

From Mr Branko Terzic.

Sir, The issue of whether or not investment in the natural gas pipeline industry in the US has "stagnated", as claimed by Mr Francis Gutman of Gas de France ("French gas chief attacks Brittan", October 11), may be clarified by information as to actual experience.

The Federal Energy Regulatory Commission has approved $10.4bn of investment and 9,770 miles of new pipeline construction during the period October 1 1988 to September 30 1991. These investments were made with full knowledge of proposals to continue the introduction of competition in natural gas transmission.

Branko Terzic,
commissioner,
Federal Energy Regulatory Commission,
Washington DC

Hanson and its shareholders

From Mr Peter J Harper.

Sir, Roland Rudd's article (*UK Company News, October 15*) implies that Hanson's institutional investors have not had the opportunity of raising with the company important questions relating to such matters as corporate strategy, operational organisation and "break-up" value. This is not correct.

Hanson's policy is to meet all major shareholders individually on a regular basis. In the past year alone more than 130 formal meetings have been held with institutions including, of course, all those listed in Mr Rudd's article.

Nearly half the meetings have included four or more representatives from the individual investing company and the other meetings have involved two or three people. Every possible aspect of Hanson's business and strategy has been discussed as freely as the rules on price-sensitive information allow.

Since the bid for Beazer was announced in early September all such further meetings have been postponed and none can be planned until after Hanson's full-year results are announced in December.

When institutional meetings recommence we look forward to responding to any questions relating to Hanson's activities. It is one of my main responsibilities at Hanson to see that we continue to do so.

Peter J Harper,
director,
Hanson,
1 Grosvenor Place,
London SW1

Tobacco advertising illogicality

From Mr A V Knight.

Sir, Last week's advertisement by the Tobacco Advisory Council was illogical in that it defended the case for advertising by quoting a court ruling that there was no demonstrable link between tobacco advertising and consumption.

In this weeks advertisement we are treated to Lenin and liberty.

Would the Tobacco Advisory Council argue as strongly for the right to advertise cocaine, or glue-sniffing in your newspaper?

Oh yes, I know there is a difference between tobacco and other drugs. Drugs kill their users, tobacco kills other people as well.

A V Knight,
14 Mitchell Walk,
Amersahm,
Bucks HP6 6NW

Underwriting rights issues: an efficient and competitive process

From Mr Hugh Jenkins.

Sir, In your article "All wrong over rights" (October 14) you suggest that some aspects of the current system of sub-underwriting rights issues might be reviewed. It is not without some irony that the well-worn "money for old rope" adage is advanced at a time when the potential risks associated with sub-underwriting are plainly evident. Indeed, available evidence suggests that the costs of UK rights issues compare favourably with alternative methods of raising capital in international markets while fully safeguarding shareholders' interests.

Where the certainty provided by the underwriters is unnecessary we believe that the deeply discounted rights issue provides the most efficient mechanism of raising new equity capital. And companies need not incur disproportionate dividend costs as the market is capable of correctly interpreting any dividend adjustment made necessary by the heavy scrip element.

Shareholders wishing only to maintain the total value of their investment in a company may wish to sell sufficient nil paid rights in order to take up the balance. Current UK taxation regulations impose capital gains tax if the value of such sales exceeds 5 per cent of the value of the shareholder's investment, thereby placing a potential ceiling on the size of issue. Raising this 5 per cent tax threshold would be a positive step towards improving companies' capital raising efficiency, while safeguarding shareholders' interests.

The deep discount mechanism does provide an efficient means for the market to differentiate between the qualities of competing capital raising proposals. Well-regarded companies will command narrower issue discounts, thereby achieving one of the objectives highlighted in the Lex column ("The wrongs of underwriting", October 15). Rights issues ensure that value is not transferred from ordinary shareholders when companies raise new equity capital.

Hugh Jenkins,
chief executive,
Prudential Portfolio Managers,
1 Stephen Street, London W1

From Mr Keith Hunt.

Sir, Underwriting of rights issues is rather more competitive than Lex suggests.

An underwriting agreement is a put option. Conventional put options have a fixed exercise price and a negotiable premium. The put option in an underwriting agreement generally has a fixed premium and a negotiable exercise price.

This inversion of the negotiable element of the option does not imply a restrictive practice. If anything, it intensifies the competition, since the underwriting institutions feel more comfortable with this structure and therefore feel able to bid more competitively.

Keith Hunt,
Granville & Co,
Mint House,
77 Mansell Street London E1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday October 17 1991

Yeltsin joins Yugoslav mediation attempts in meetings with Tudjman and Milosevic

Forces in Croatia ignore ceasefire

By Laura Silber in Belgrade and Gillian Tett in Moscow

An elderly man weeps as he leaves the east Croatian border village of Nustar with his belongings

THE Yugoslav republic of Croatia was yesterday engulfed in fighting despite attempts by the Soviet Union to implement a ceasefire between the leaders of Croatia and Serbia.

Mr Boris Yeltsin, the Russian president, joined the attempts at mediation by Mr Mikhail Gorbachev, the Soviet leader, when he met both the Serbian and Croatian presidents separately in Moscow.

Western observers have suggested that Russia's role as a key oil exporter to Yugoslavia could give it some leverage over the Serb-dominated presidency of the country.

Mr Franjo Tudjman of Croatia and Mr Slobodan Milosevic of Serbia signed the ceasefire agreement in Moscow on Tuesday.

But Mr Tudjman said yesterday that he was sceptical about holding early peace talks with Mr Milosevic in spite of agreeing to do so less than 24 hours earlier, and Mr Milosevic continued to insist that the Serbs alone were the victims in the current aggression.

The manoeuvres in Moscow came as Croatian radio reported that key towns in central and eastern Croatia were under attack by the federal army and Serb forces.

It said Vukovar, set on the banks of the river Danube, which marks Croatia's border with Serbia, was under fire from mortars and grenades launched from Vucedol, a nearby Serbian village.

Croatian radio also reported that Vinkovci, a vital railway junction about 15 miles south-west of Vukovar, had been hit by 10 rockets which damaged the town hospital and destroyed the local fire station.

Tanjug, the Belgrade-based news agency, said "several federal army soldiers" were wounded when Croat forces launched an attack on Marinci, five miles south of Vinkovci.

The federal army has tried to conceal casualty figures, but doctors from the Belgrade military centre say several helicopters arrive each hour with casualties.

Politika, the socialist-controlled Belgrade daily, admitted yesterday for the first time that the federal army was plagued with problems. It said army reservists "have not always been properly trained and equipped".

It called for "the army to become a professional army as soon as possible" and cited the "rising costs of the war". The Serb-dominated federal army has been hit by mass desertions of reservists who have returned from the front with reports of a disorganised military campaign.

Croatian radio also reported clashes around Okucani, 110 miles east of Zagreb, the Croatian capital, where fighting since August has forced the closure of the main motorway which links Belgrade with Zagreb.

Two Croat national guardsmen were killed when ambushed near army barracks on Mali Losinj, a northern Adriatic island.

Serbia and its three allies on the state presidency met in Belgrade to prepare for the European Community peace conference in The Hague due to resume tomorrow

The presidency ordered the federal army to drop its traditional communist red star, in a move designed to head off desertions, and decided to raise daily allowances for reservists.

Mulford says Congress is frustrated by slow pace of reforms

US urges Japan to act on scandals

By Robert Thomson in Tokyo

THE US wants the Japanese government to produce evidence today that "decisive action" will be taken to prevent a repeat of the securities and banking scandals which have undermined confidence in the Japanese financial system.

Mr David Mulford, US Treasury under-secretary for international affairs, said yesterday the US would be watching closely the reponses of Japanese Finance Ministry officials at a regular bilateral meeting today on financial reform.

He said the US wanted a "different approach" compared with past Japanese reforms, which he said "lacked in transparency", were too slowly introduced and did not remove inherent flaws that allowed the spread of unfair practices.

"We want to see a credible approach with credible enforcement. We want the government to make it past this crossroads," Mr Mulford said. He hinted that the US might take a more active role in the Japanese debate on the scandals, and said that US Congress was increasingly frustrated at the generally slow pace of financial reform.

The scandals, which included brokers' compensation of favoured clients for losses and dealings with gangster groups, prompted Tokyo to propose a new monitoring body responsible to the finance minister. But the government has resisted calls for an independent body akin to the US Securities and Exchange Commission (SEC).

Mr Mulford said the US was not insisting that Japan establish an SEC-like body, but wanted to see a determination to stop unfair practices and would not be happy with "administrative guidance" or "step by step measures". A lack of clear rules, he said, had meant that "everybody knew" favoured clients were compensated and that "it was tolerated".

"It is a scandal that the system for 40 years has deprived investors of a market rate of return on savings," Mr Mulford said.

US officials will also be raising their standard complaints about Japanese financial reform, with particular emphasis on interest rate deregulation, as well as the acceptance of new financial products and foreign access to pension funds and investment trusts.

"These are all areas where there is extreme discrimination against foreign firms," Mr Mulford said.

Economy 'heading towards sharp downturn'

JAPAN'S ECONOMY is at a turning point and is heading towards a sharp downturn, to judge from the latest economic statistics, an official at the Ministry of International Trade and Industry (Miti) said, Reuter reports from Tokyo.

"The Japanese economy is headed for the most serious slowdown since the first oil crisis in 1973-74, judging from quarterly industrial output," he said.

Japan's industrial production in August decreased 2.5 per cent from the previous month, revised downward from a preliminary decrease of 2.1 per cent, Miti said.

If revised September industrial output shows a fall of more than 0.5 per cent month-on-month, industrial output in the July/September quarter would show negative growth compared with the previous quarter.

That would constitute three consecutive quarter-on-quarter falls and would be the first time this has happened since 1974.

Capacity utilisation for August fell by 2.9 per cent month-on-month to 103.6, a level seen in the previous economic slump in 1985 when Japanese exports were hit by the sharp appreciation of the yen against the dollar, the official said.

He added that, as far as he knew, no Japanese economic indicators released recently had provided any encouraging factors for the domestic economic climate.

Thomas takes break before assuming seat

By George Graham in Washington

JUSTICE Clarence Thomas will take a week off before assuming his seat on the US Supreme Court after narrowly winning his gruelling battle for Senate confirmation on Tuesday night.

Mr Thomas won confirmation by 52 votes to 48, securing the votes of 11 Democrats as well as 41 of the 43 Republican senators.

The lifetime appointment means the 43-year-old Mr Thomas could have decades ahead of him as one of the nine Supreme Court justices charged with interpreting the US constitution.

Mr Thomas sought during his confirmation hearings to tone down many of the political views he had earlier stated, and stonewalled attempts to elicit his views on abortion.

Nevertheless, he is generally expected to reinforce the conservative majority which has gradually taken over the court, as judges nominated by Presidents Ronald Reagan and George Bush replaced the more liberal justices who dominated the court in the 1960s and 1970s.

Mr Thomas will not be the first Supreme Court justice to take his seat amid controversy. Justice Hugo Black, appointed in 1937, was found to have been a dues-paying member of the Ku Klux Klan, yet went on to become an influential liberal judge.

The spotlight focused on Mr Thomas, however, was unusually intense, and there has been speculation over what impact the angry confirmation hearings may have on his views.

During last weekend's confirmation hearings, Mr Thomas bitterly denounced the public interest groups which he said had scoured the country seeking dirt against him. These same interest groups are often parties to the cases which come before the Supreme Court, leading some activists to argue that Mr Thomas should excuse himself from such cases.

Among the cases which Mr Thomas will hear is Franklin vs Gwinnett, involving charges of sexual harassment. The case is likely to be closely watched because of the sexual harassment charges Mr Thomas himself faced over the last week.

European force idea

Continued from Page 1

Anglo-Italian initative on common European security published a fortnight ago.

German government officials however insisted that the plan was no threat to the existing Nato alliance. "This is nothing outside Nato, but something to strengthen Nato in case of defence", a senior official said. "It is a European pillar in the alliance."

Chancellor Helmut Kohl's advisers – who negotiated the deal direct with the Elysée, not through the foreign ministries – recognise that it was likely to be regarded with suspicion by Britain and the Netherlands, both seen as staunch defenders of Nato primacy in defence matters. But they also maintain that the plan is acceptable to the US administration.

Nevertheless, US officials reacted cautiously. Although the US has backed the idea that Europe should develop its own identity in defence and security matters, it has also insisted that the role of Nato should be preserved.

"We have an interest in seeing that as the European security identity is developed that it be complementary to Nato and not detract from Nato's missions", said Mr Richard Boucher, a State Department spokesman.

The defence plan was welcomed by Belgium and the European Commission. But the Dutch presidency of the EC, which is orchestrating the EC political union negotiations, confined itself to noting that aspects of the plan would be discussed later today by senior foreign ministry officials of the Twelve in The Hague.

Meanwhile Mr Gianni de Michelis, Italian foreign minister, said that the Twelve were now very close to a reaching a common position on defence at the Maastricht summit.

British TV auction

Continued from Page 1

Television and London Independent Broadcasting would not get over the quality threshold.

Mr Roy Hattersley, deputy leader of the opposition Labour party, last night denounced the tenders as a "farce". As many as five losers said they were considering taking the ITC to judicial review to try to challenge its decision.

But there was a growing feeling elsewhere that the ITC had used its discretion on quality to the full and may have produced a workable system.

Eight of the 16 licences have not gone to the applicant which put in the highest cash bid.

Mr Russell said he believed only an additional £40m a year would go out of the ITV system to the Treasury, much less than had originally been feared. The ITC argued that the annual average payments of all the winning companies in 1991 prices would be £350m.

This figure would compare with £250m a year if the existing special levy on ITV revenues and profits were to continue.

Of the remaining £100m, the ITC says a further £60m is accounted for because the bids are tax deductible and other charges such as the £45m funding of S4C, a Welsh language channel, will in future come out of public funds.

The ITC insisted that it had first considered the financial bids submitted on May 15 last Thursday after all the decisions on the quality threshold had already been taken and more than half the applications already excluded.

CPT-TV, the Richard Branson-David Frost consortium, which failed the quality threshold on its three bids, plans to seek a judicial review on its London bid. It bid more than the winner, Carlton.

Neo-Nazis 'control attacks on foreigners'

By Leslie Colitt in Berlin

THE LEADER of the Jewish community in Germany yesterday angrily accused politicians of reacting "much too late" to attacks on foreign workers and asylum seekers. "These attacks are controlled by radical right-wing parties and are not spontaneous as some politicians claim," said Mr Heinz Galinski, chairman of the Central Council of Jews.

Speaking in Berlin's rebuilt Jewish Community Centre, he said that Germany had become a "hotbed" of neo-Nazis.

His alarm was shared by Mr Hans Ludwig Zechert, president of the Federal Criminal Office, who described the attacks yesterday as a danger to Germany's internal security that should not be underestimated.

Seven hundred criminal offences against foreigners were recorded between August and mid-October, compared with 300 in the previous seven months, he said.

Mr Galinski said the attacks by right-wing extremists were the "penalty" for Germany's failure after 1945 to confront its Nazi past. "Everything was suppressed, forgotten, dismissed," he said, implying that the lessons of the Nazi era had not been learned by the younger generation.

He also condemned as a "show" the recent visits by leading German politicians to homes for asylum-seekers where he said they "patted children" on the head.

As the senior representative of nearly 34,000 Jews in Germany, his contacts with German leaders are frequent and close.

But the 78-year-old Mr Galinski, is also feared for his sharp tongue.

Mr Galinski was instrumental in re-establishing the Berlin Jewish Community in 1949 with the help of the German authorities. The number of Jews in the country expanded by 9,000 this year as a result of migration by Soviet Jews.

The Jewish leader also repeated criticism of large German companies for failing to indemnify foreign slave labourers who worked for them during the Nazi era. Among others, he named Siemens, Krupp, and IG Farben, the chemicals cartel which was broken up into the three chemicals companies after the war. He accused them of refusing to meet their obligations.

"I was in the Marowitz branch of Auschwitz (concentration camp) where we worked for IG Farben. The SS got the money but IG Farben had the benefits," Mr Galinski claimed.

This Friday he will mark the 50th anniversary of the deportation of Berlin Jews to the Nazi death camps. Together with Mr Eberhard Diepgen, the Mayor of Berlin, he will place a wreath at suburban Grunewald railway station where the Jews were rounded up.

THE LEX COLUMN

Adjusting the TV picture

The Independent Television Commission has pulled off a considerable coup. The UK taxpayer can carp about the way Central and Scottish walked off with franchises for a mere £2,000 apiece, while admiring the nerve of London Weekend and Granada for daring to bid less than they were able to afford. The fact remains that the great ITV auction raised an extra £40m a year for the Treasury without materially altering the sums available for programme making, while sacrificing to almost universal acclaim the two incumbents which most conspicuously squandered the fruits of their monopoly, namely TVS and Thames. Presumably TVS's tentative mention of the judicial review option will be quietly forgotten by the weekend.

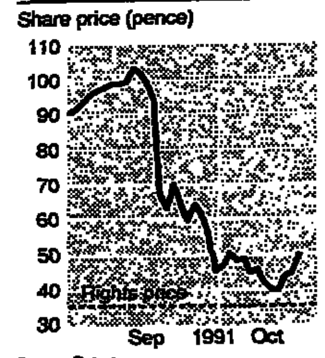
The losers are perhaps not confined to the also-rans. Most of the victors were rewarded yesterday with modest increases in their share prices; but in some cases the sums paid raised eyebrows. Yorkshire seems the most glaring example. Its £38m bid was £20m more than the regional runner-up, and £1m above what looks to be the rather full price paid by Meridian for the south and south-east England licence. The Yorkshire area enjoys an 8.6 per cent share of national advertising revenue, the south and south-east 11.5 per cent. Yorkshire shareholders are certainly entitled to an explanation, and may justifiably wonder why major holders like W.H. Smith and Pearson, with seats on the board and a combined 40 per cent stake, allowed the bid to get out of hand. Entrenched management at Tyne-Tees and Anglia may also be hanging on at investors' expense.

The emergence at the same time of several notably strong companies underlines the prospect of an ITV network – operating in an increasingly competitive environment in the 1990s – dominated by a handful of players. Scottish and Central will enjoy a huge advantage from their low bids, with Scottish likely to pay no more than 2 per cent of its net advertising revenue to the government in the first year. Granada's £9m bid may, in the end, have been £9m more than strictly necessary. But combined with this week's sale of its disastrous Canadian rental business, Warburg's glowing projections for BSkyB and yesterday's remedial action at computer services, the fact that Granada has retained its cherished franchise cheaply should hasten the arrival of a new chief executive. LWT is probably the biggest winner of the lot, with its share of the successful Sunrise breakfast franchise guaranteeing more efficient use of its studios. Mr Michael Green's Carlton Communications is also a credible new force, with the shares resting as much on his entrepreneurial flair for exploiting programmes as on the vagaries of future advertising growth.

FT-SE Index: 2,579.0 (+2.3)

Asda

Share price (pence)



Source: Datastream

Wimpey

One cannot fault Wimpey's timing. While its shares rose on the £105m sale of its waste management business, those of fellow Channel tunnel contractor Costain dropped by 10 per cent. Wimpey might have sold a profitable set of holes in the ground to protect itself against a single large hole, but at least the market does not think it is in trouble.

In keeping a few waste sites, Wimpey has retained saleable assets which do not require precious cash to keep them going. With money from the recent Little Britain sale due next year, Wimpey should thus survive the recession, albeit in its original simpler shape as a cyclical construction company. So much for diversification.

As for the buyer, Wessex Waste differs from the other water companies in leaving management of its diversified business to specialists inside its far larger US joint-venture partner. Waste Management Inc has earned the best part of $1bn pre-tax so far this year, so its operating entry to the UK market is significant: more so, perhaps, than the headlong rush for unregulated earnings by the likes of Severn Trent. As Shanks & McEwan has amply demonstrated, the earnings stream from waste management can be as dangerously unpredictable as some of the substances requiring treatment. Water companies have plenty of experience with sewage, but that is scarcely a convincing qualification.

PSBR

It is always dangerous to extrapolate too much from one month's PSBR figures; last month's high figure of £2.9bn, for instance, may owe something to late collection of poll tax and VAT. But the trend in the first half of the financial year is clearly one of recession-induced deterioration in government finances. The gilt market has been discounting a borrowing overshoot for some time, which may explain its initial, somewhat muted reaction. But a first-half requirement of £10.8bn makes nonsense of the chancellor's projected £7.9bn for the year.

One question is how far he will admit to this error in the autumn statement. A longer-term worry must be the shortfall in income tax receipts due to pressure on wage growth and the rise in unemployment. Both factors are likely to swell next year's borrowing total, a consideration of which the market is still only dimly aware. More important for Mr Lamont, flagging revenues make it extremely tricky to conjure up a give-away budget just ahead of a spring election.

Asda

The immediate effect of securing a young high-flier like Mr Archie Norman as chief executive of Asda is to put the rights issue finally out of danger. The longer-term question is whether Mr Norman will prove yet another example of a finance director trying to do a man's job. But as one of the triumvirate running Kingfisher, he can claim wider experience of strategic problem-solving in the retail trade.

Asda is also badly in need of Mr Norman's financial expertise. The new chairman perhaps exaggerates in claiming that the company's difficulties are purely a matter of financial structure and not operational at all. But the rights proceeds will at least make the company stable in cash terms. The next task is to impose a radical change in strategic direction. Until proposals are produced in a few months' time, it would not do for investors to get carried away. But there are encouraging signs that whatever the strategy, it will no longer consist of a ruinous head-to-head battle with Tesco and Sainsbury.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	22	72
Algiers	F	23	73
Amsterdam	F	14	57
Athens	S	24	75
Bahrain	S	32	90
Bangkok	R	32	90
Barcelona	S	20	68
Beirut	S	26	79
Belfast	R	11	52
Belgrade	F	20	68
Berlin	S	17	63
Biarritz	S	19	66
Bombay	S	31	88
Bordeaux	C	17	63
Boulogne	R	15	59
Brussels	F	15	59
Budapest	F	16	61
Buenos Aires	R	17	62
Cairo	S	29	84
Cape Town	S	22	72
Caracas	C	29	84
Casablanca	F	19	66
Chicago	S	0	32
Cologne	S	18	64
Copenhagen	C	13	55
Corfu	F	25	77
Dallas	S	11	52
Dublin	S	13	55
Dubrovnik		–	–
Edinburgh	F	11	52
Faro	S	21	70
Florence	F	22	72
Frankfurt	S	16	61
Geneva	S	17	63
Gibraltar	S	19	66
Glasgow	F	11	52
Helsinki	C	10	50
Hong Kong		–	–
Innsbruck	S	18	64
Inverness	R	9	48
Islamabad	F	25	77
Istanbul	S	22	72
Jakarta	C	33	91
Jersey	R	14	57
Johannesburg	F	12	54
Lima	F	21	70
Lisbon	S	19	66
London	R	14	57
Los Angeles	Fg	17	63
Luxembourg	F	15	59
Madeira	S	22	72
Madrid	S	16	61
Majorca	F	22	72
Malaga	F	19	66
Malta	F	26	79
Manchester	C	15	59
Manila	F	32	90
Melbourne	C	12	54
Mexico City		–	–
Miami	F	23	73
Milan	F	17	63
Montreal	R	7	45
Moscow	C	13	55
Munich	F	17	63
Nairobi	F	19	66
Naples	F	25	77
Nassau	C	30	86
New Delhi	S	30	86
New York	C	12	54
Nice	S	20	68
Nicosia	S	28	82
Oporto	S	16	61
Oslo	F	10	50
Paris	F	15	59
Peking	S	20	68
Prague	S	19	66
Reykjavik	F	0	32
Rhodes	S	27	81
Rio de Janeiro	F	36	97
Rome	S	22	72
Salzburg	F	16	61
San Francisco	S	12	54
Seoul	F	17	63
Singapore	T	29	84
Stockholm	C	11	52
Strasbourg	S	18	64
Sydney	F	33	91
Taipei	R	24	75
Tangier	F	20	68
Tel Aviv	F	27	81
Tenerife	S	24	75
Tokyo	C	21	70
Toronto	S	0	32
Tunis	C	20	68
Valencia	S	20	68
Venice	Fg	14	57
Vienna	S	19	66
Warsaw	F	18	64
Washington	C	11	52
Zurich	S	15	59

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday October 17 1991

INSIDE

Hawker bid leads to role reversal

The City of London's biggest takeover battle so far this year, the £1.5bn ($2.58bn) bid by the industrial conglomerate BTR for the Hawker Siddeley engineering group, has led to a curious reversal of roles. Hawker, one of the most famous names in British industry, has sought to preserve its independence by promising to sell businesses which contribute more than 60 per cent of the group's turnover. BTR, a corporate raider noted for its hard-nosed attitude to trading assets and running businesses, says it wants to develop Hawker, and criticises the proposed dismemberment. Page 29

Growing votes in Turkey

Whichever party wins Sunday's Turkish general elections, it will find the task of reforming agricultural policy has been made difficult by the present government's electioneering activities. To woo the farming vote, the government has indulged in a spate of politically-inspired farm handouts – including freezing fertiliser prices and a commitment to buy all the commodities farmers can sell. Page 30

Budget uncertainty in Malaysia

The Kuala Lumpur stock market has taken a beating over the past two months, but Malaysia is still valued as a growth economy. An air of uncertainty is likely to keep the market in check until late this month or early next, when Mr Anwar Ibrahim, finance minister, unveils the 1992 budget. Back Page

Invergordon affair hots up

Invergordon Distillers, the Scotch whisky group, yesterday accused Whyte & Mackay, UK drinks subsidiary of American Brands, the US tobacco group, of "scaremongering" to further its £350m ($602m) bid for the company. In a letter urging shareholders to reject the offer, Mr James Millar (left), Invergordon's chairman, said that Whyte & Mackay had presented "a misleading picture of Invergordon's business and prospects". Page 28

Stockholm's ambitions helped

The election of a non-socialist government in Sweden last month has helped the Stockholm bourse in its ambitions to become the centre of a common Nordic securities market. One of the first actions taken by the new government was to propose the abolition of the turnover tax on share transactions from December 1. Page 27

Jobs go in Granada Group

Granada Group, the UK leisure and services conglomerate which yesterday retained its commercial television franchise, announced it was restructuring its computer maintenance and services business with the loss of 550 jobs across Europe. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
BASF	235.1	–	8.6
Hochtief	1155	–	45
Holzmann	1175	–	45
Linotype-Hell	375.5	–	14
Volkswagen	339.5	–	6.6

NEW YORK ($)

Rises			
AMR	64¼	+	3¼
USAir	9⅞	+	⅛
Centocor	52	+	2
Delta	69⅜	+	1⅜
Air Wisconsin	9¼	+	1⅛
Falls			
Citicorp	11½	–	1¼

PARIS (FFr)

Rises			
GTM-Entre	397	+	10
Michelin B	134.8	+	5.8
UFB Locabail	365	+	11
Falls			
Accor	733	–	17
Gaumont	725	–	20
Imetal	250	–	12.9

TOKYO (Yen)

Rises			
Nihonbashi Whse	1350	+	150
Nippon Ch'phar	1250	+	170
Nippon Zeon	710	+	100
Tokyo Tanabe	1210	+	140
Falls			
Daito Wool Sp	1060	–	80
Tokyo Seimitsu	1390	–	100

New York prices at 12.30.

LONDON (Pence)

Rises			
ASDA	50	+	5
Clyde Petrlm	106	+	7
LWT Cnv Pfd	198	+	53
MAI	124	+	7
Mersey Docks	207	+	18
Robinson (T)	17	+	5
Sunset Vine	160	+	10
Tyne Tees TV	284	+	49
Ultramar	277	+	18
Falls			
ARM	160	–	8
Anglia TV	198	–	33
Attwoods	167	–	13
Bans	125	–	38
Costain	64	–	8
Eurotunnel	442	–	17
Pentra	105	–	150
TSW	70	–	12
TV-am	102	–	22
TVS Ent	21	–	7
Taylor Woodrow	158	–	10
Yorkshire TV	180	–	22

Carrier expects slow recovery after Gulf war and recession take toll on traffic

Air France half-year loss rises to FFr1.16bn

By William Dawkins in Paris

AIR FRANCE, the French national carrier, yesterday became the latest international airline to announce a heavy loss for the first half of the year, hit by the Gulf war and the general economic slowdown.

Net losses at the group, which also includes the UTA long-haul carrier and Air Inter, the French domestic airline, rose to FFr1.16bn ($200m) in the first six months, from FFr262.8m in the same period last year. This is less than the British Airways loss over the same period and similar to interim losses at Lufthansa, KLM, and American Airlines.

Air France said business was slowly recovering on the strength of the fact that Air France – excluding the other subsidiaries – made a FFr57m profit in the second quarter, after losing FFr1.2bn in the first three months of the year.

This also "shows that the economy measures taken by Air France…have begun to have an effect," said the group. Since the beginning of the year, it has frozen salaries, stopped non-essential investments, overhauled the route structure and scrapped unprofitable routes.

However, air traffic has not recovered to the level at this time last year. Air France estimates the Gulf war cost more than FFr1bn in lost business and increased insurance and fuel costs in the first quarter.

Group turnover in the first half fell by 1.7 per cent to FFr27.21bn, reflecting a 3.9 per cent decline in receipts from passenger traffic and a 7 per cent rise in freight. Air Inter lost FFr19.5m in the first half and UTA recorded a FFr209.4m deficit, but the other subsidiaries, such as Le Meridien hotels, made an overall profit.

The group loss comes three weeks after Air France announced it was to lose 3,000 jobs and merge UTA's routes with its own to cut annual costs by FFr1.5bn and return to break-even in the next two years. The news angered UTA and Air Inter unions which demonstrated outside the Transport Ministry and Air France's headquarters and called for ground staff strikes next Wednesday.

● Air France's plans to take a 35 per cent stake in Sabena, the troubled state-controlled Belgian carrier, have been delayed by the collapse of the Belgian government this month.

A decision is not expected until a new government has been formed after the next election, expected around the end of November. Sabena confirmed it still plans an alliance with Air France.

Citicorp's own remedy fails to work

The largest US bank is learning that it cannot grow its way out of trouble, reports Alan Friedman

Once, Citicorp was the aggressive emperor of US banking. Now, its mounting problems make the nation's largest commercial bank an emperor in need of new clothes.

This week's disclosure of an $885m third-quarter loss, the elimination of a dividend for the first time in 179 years and the acceleration of an already harsh restructuring programme both surprised Wall Street and raised questions about the future of Mr John Reed, the maverick Citicorp chairman who is blamed by many for the bank's failings.

While a number of its peers are seen as on the road to recovery, Wall Street is worried about Citicorp's ability to bolster its weak capital base and by continuing huge loan loss provisions and write-offs.

The bank's share price fell $1 yesterday morning to $11¾, the lowest level in nearly a year.

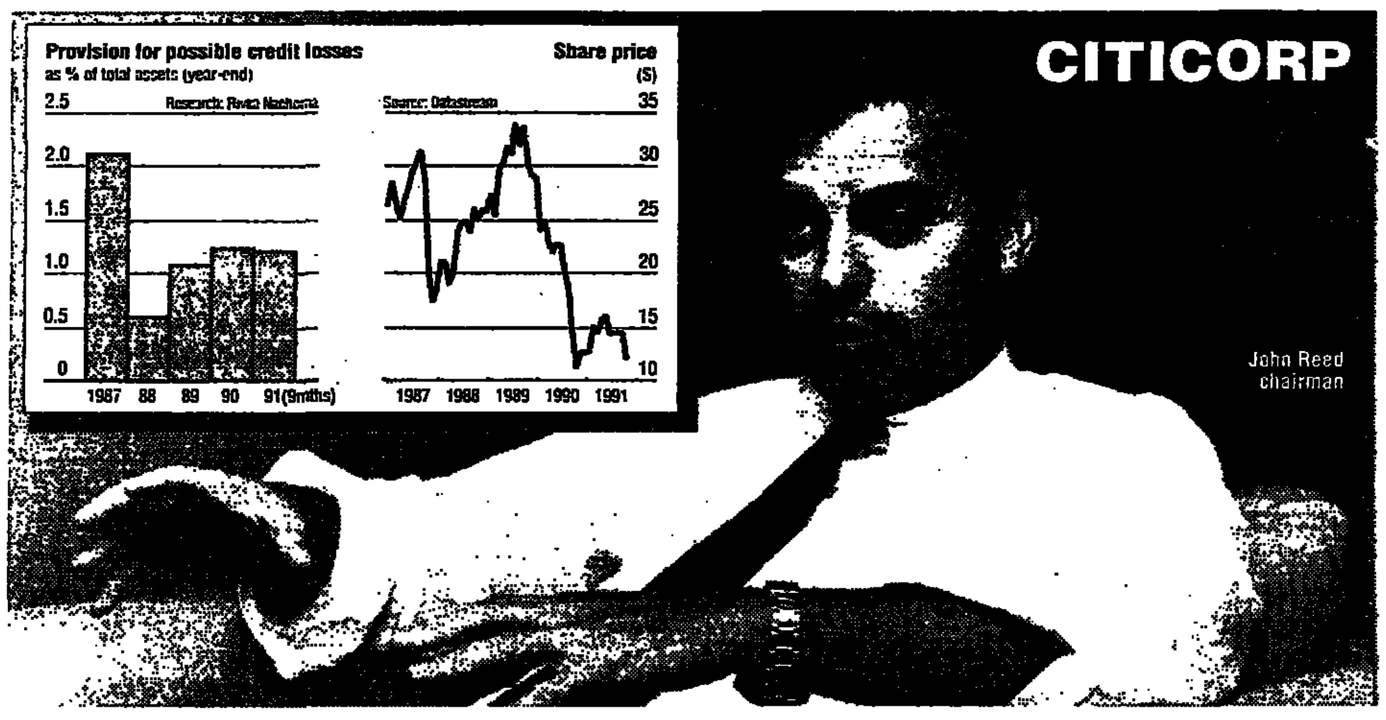
Mr Reed began eating humble pie last November when he admitted he was "damn embarrassed because the critics were right and we were wrong".

At the time he was referring to how Citibank continued to build up its commercial property loan book well into 1990 in spite of clear warnings that the sector was headed for trouble.

By the start of this year, Citicorp finally acknowledged the need for radical change when it set in motion a strategy to raise between $4bn and $5bn of new capital, slashing the workforce and cutting costs. Even this medicine was apparently not strong enough.

Then last month, Mr Reed dropped hints about the likelihood of further financial haemorrhages when he said the bank's property loan write-offs and provisions would remain high well beyond the next two years.

None of this, however, prepared the financial community for this week's bad news. The bank's $1.6bn of net loan write-offs in the third quarter are more than treble the level of a year ago, while the $3.97bn of write-offs since the start of 1991 are well above the $2.3bn recorded in the whole of 1990.



John Reed
chairman

Bad debt provisions were $2.7bn in the first nine months compared with $1.68bn in the whole of last year.

Property continues to be a big problem, with $4.4bn – or 31 per cent – of the US commercial property loan portfolio, now classified as non-performing.

But Citicorp's problems extend beyond property. For example, revenues in Citicorp's global consumer business, which subsidised loan losses from Third World debt, were flat in the third quarter. Earnings from the consumer banking division crashed to $56m from $286m a year ago.

Revenues in the mainstream global corporate finance business – which covers Japan, Europe and North America – were down from $1.09bn to $978m year-on-year and this division suffered a $298m net loss, compared with $27m of profits a year ago.

Mr Reed blamed part of the bank's problems on the US recession and predicted that revenue growth would continue to be lower than expected for some time to come.

More measures of the bank's need to cut costs sharply and seek capital included a new $320m charge for severance payments that, according to analysts, means the bank may reduce its workforce by another 5,000 people, having cut its payroll by that number already this year.

The third-quarter results have also left Citicorp with a core capital ratio of just 3.64 per cent, below the minimum 4 per cent regulatory level that goes into effect next year.

Citicorp is one of the few big US banks so weak in terms of capital and any attempt to boost it will be more difficult in the light of a downgrading of Citicorp's senior debt to Triple B-plus from Single A-minus.

The bank admits it needs to sell off assets, but Mr Reed has always insisted Citicorp would never sell Quotron, the loss-making information services business. Citicorp paid $680m for Quotron in 1986, a figure regarded as too much by bank insiders and analysts.

In the past five years Quotron has cost Citicorp nearly $1bn in net losses.

Yesterday Citicorp said it no longer considers Quotron to be a core business and that a $400m write-down of Quotron could herald its being put on the block.

Mr James McDermott, an analyst at Keefe Bruyette, called this week's disclosures "a 180 degree turn for Citicorp" and noted that Citicorp has admitted that "it can't grow its way out of problems any more – it must shrink".

Mr McDermott and other analysts note that Mr Reed's position as Citicorp chairman is now in question. "My guess is that he has until 1992 to start producing. If his remedies work he will dodge the bullet," said Mr McDermott, adding that "his margin for error is not large".

One former top Citicorp executive said of Mr Reed that "it's no secret that the record has not been outstanding".

Mr Walter Wriston, the former Citicorp chairman who chose Mr Reed, has blamed the economic environment and the toughness of US bank examiners for Citicorp's current difficulties, although the bank itself insisted its provisions were decided internally and not under pressure from regulators.

"When the recession is through there will be a lot of blood on the street, but the main players will still be around," said Mr Wriston.

The main players in US banking are changing and merging, however, while Citicorp has yet to convince investors it can contend with its multi-faceted woes.

Strong results this week from Chemical Bank and Manufacturers Hanover Trust – the two big New York banks that are merging and will soon challenge Citicorp on its home turf – add to Mr Reed's challenge.

In California, the huge losses announced by Security Pacific were taken by analysts to mean that Bank of America, with which SecPac is merging, is cleaning house before the merger.

Citicorp is not in serious danger, but it is clearly on its way to becoming a smaller and less ambitious US bank.

The combined effect of its weak capital, high loan losses and restructuring and asset disposal plans suggest that whether or not Mr Reed remains at the helm, Citicorp is unlikely to regain its once mighty position.

The bank, as Mr Reed has said in the past, now needs to run merely to stand still.

La Générale, Accor launch BFr35bn bid for Wagons-Lits

By Andrew Hill in Brussels

SOCIETE Générale de Belgique, Belgium's largest holding company, and Accor, the French hotel group, last night mounted a BFr34.8bn ($997m) bid for Wagons-Lits, the Franco-Belgian tourism group best-known for its overnight European rail service.

The Brussels stock exchange authorities announced that Accor and La Générale's joint vehicle, Cobefin – which owns 27 per cent of Wagons-Lits – had agreed to offer BFr8,650 a share for the group.

That represents a substantial premium to the BFr6,890 price at which Wagons-Lits's shares were suspended on Tuesday morning, pending an announcement.

Analysts were initially baffled by the brief bourse announcement. It did not make clear whether La Générale had decided to sell its 85 per cent stake in Cobefin and its Wagons-Lits shares to Accor, as many brokers had expected.

A spokesman from La Générale was unavailable to comment on the announcement.

A bid by Cobefin could be the first stage in a process of divestment by La Générale, which was known to be dissatisfied with its stake in Wagons-Lits.

The Franco-Belgian tourism group, which has interests ranging from rail services to hotels, saw net profits slip by 60 per cent in 1990 to BFr547m.

"La Générale had to keep financing Cobefin because Wagons-Lits dividends didn't cover its interest charges," one broker said yesterday.

La Générale is understood to have an option to sell its Wagons-Lits shares to Accor. They were bought from Groupe Bruxelles Lambert, another Belgian holding company, in June 1990, at between BFr13,000 and BFr14,000.

Some brokers were speculating before yesterday's announcement that a decision to exercise the option would trigger a bid for Wagons-Lits by Accor, which is itself 10 per cent owned by La Générale.

A bid would also lead to Accor increasing its control over Wagons-Lits' hotels business, which has been separately valued at FFr3bn.

Earlier this year Accor agreed to take on increased management responsibility for the Wagons-Lits hotels, which include the Pullman chain, but the two companies retained ownership of the assets.

US-led group buys UK waste business

By Andrew Taylor, Construction Correspondent

GEORGE WIMPEY, the recession-hit UK construction group, has sold its waste management business for £105m ($180.6m) to a joint venture between Wessex Water and Waste Management of the US.

It is the first British acquisition by the US group, one of the world's largest specialists in the treatment and disposal of industrial and domestic waste.

The group, which owns 50.1 per cent of the joint venture with Wessex, already has operations in Denmark, Germany, Italy, the Netherlands, Spain and Sweden.

Mr Ed Falkman, president of Waste Management's international division, said yesterday that revenue from European operations had grown in two years from less than $50m a year to almost $1bn.

Wimpey Waste is the fifth-largest waste company in the UK. Its pre-tax profits are expected to rise this year by more than a quarter from £4.3m to £5.5m.

The sale was prompted by Wimpey's need to reduce debts expected to approach £400m by the end of this year. Net debt at the end of June stood at £372m, equivalent to 58 per cent of shareholders' funds.

Wimpey also needs money to replenish its UK housing land bank, which has been run down during the recession, and to re-equip its quarry businesses in the UK and US. It has been hit by the recession in the UK housing and commercial property markets. During the first six months this year Wimpey made pre-tax profits of just £200,000 compared with £12.6m in last year's first half. Wimpey shares rose 3p to close at 159p in London yesterday.

Mr Dwyer said the sale of Wimpey Waste and the £110m proceeds from the sale of Wimpey's 50 per cent stake in Little Britain, a central London property development, would significantly improve the group's finances.

The sale of the waste management business would reduce net debt to less than £300m by the end of this year. The cash from the Little Britain sale, however, would not be available until the second half of next year.

Wessex Waste Management's purchase includes sites with a landfill capacity of 5.8m cu m and other sites which have permits but are not yet operational with a potential capacity of 11.1m cu m. Planning applications are still underway for a further 24.6m cu m, said Mr Falkman.

Waste M'gement results, Page 24
Lex, Page 20

INTERNATIONAL COMPANIES AND FINANCE

Granada computer arm shake-up

By Alan Cane in London

GRANADA GROUP, the leisure and services conglomerate which yesterday retained its commercial television franchise, announced it was restructuring its computer maintenance and services business with the loss of 550 jobs across Europe – about 18 per cent of the workforce.

The company said the move was expected to cost about £15m and would be treated as an exceptional item in the 1991 accounts.

About 330 of the job losses, mainly affecting sales and marketing staff, would be in the UK, said Mr Alex Bernstein, the chairman. Technical staff would not be shed and customers would suffer no decline in service.

The company concerned, Granada Computer Services International, is the largest independent maintenance company in Europe. It has 20 per cent of the market, about four times its nearest rival.

It was not profitable, however. Losses last year were £6m on revenues of £170m. Mr Bernstein said minor changes had been made to improve profitability but he realised more radical steps were needed. The division would be profitable by the end of the year.

A team under Mr John Curran, appointed chairman of Granada's business services division in July, looked at operations across Europe and decided to cut costs.

Independent maintenance had been one of the major growth areas in the computing services business in recent years and was still growing at about 10 per cent a year. Many of the companies which moved into computer maintenance were disappointed, however.

Granada Computer was formed through the acquisition of two of the best known pioneering independent maintenance companies, DPCE and CFM. Mr Bernstein agreed that Granada had underestimated the difficulty of welding them together.

He believed that tight management had been achieved under Mr Curran, a veteran in the computer industry.

Granada's move into computer maintenance was associated strongly with Mr Derek Lewis, who resigned as chief executive, in May. Mr Bernstein said he hoped to name a new chief executive by the end of this month.

Court puts Belgian airline into liquidation

By Andrew Hill in Brussels

TRANS European Airways (TEA), Belgium's largest independent airline, moved a step closer to shutting down yesterday when its holding company and the airline were put into liquidation by a court. In a further setback, the Flemish regional authorities refused to back a rescue package.

The court decision allows the airline to continue operating its charter service and its one scheduled route between Brussels and London Gatwick.

Formal liquidation was intended to prepare the way for takeover by a consortium led by the Belgian businessman Mr Victor Hasson, and the Flemish regional investment fund, which would have taken a 49 per cent stake.

However, the Flemish region decided Mr Hasson's plan – which would have capitalised the company at BFr265m ($7.5m) – was too risky, partly because the London-Brussels route was running at a loss and partly because Mr Hasson's business is managing hotels, not airlines.

Mr Alain Zenner, TEA's lawyer, said: "The maximum that this [situation] can go on for is two or three weeks and then either there has to be a takeover or it [the airline] will have to close down."

TEA, which is privately owned, had returned losses for the last two years and won court protection from four group companies' creditors last month. Those subsidiaries had liabilities of BFr2.94bn, and in 1990 the group's Belgian-based activities lost BFr51.8m.

TEA (UK), the company's British charter arm, ceased trading last month.

Investor and Providentia lifted by share deals

By John Burton in Stockholm

INVESTOR and Providentia, the two listed investment companies of the Wallenberg family, yesterday reported higher profits for the first eight months of 1991 because of the sale or transfer of significant shareholdings.

Pre-tax profits for Investor climbed to SKr1.4bn ($224.5m) against SKr572m a year ago.

Earnings for Providentia rose to SKr1.37bn from SKr462m during the previous period.

Capital gains for both companies from the sale of shares totalled SKr7.85bn.

Nearly a third of this amount was because of the sale of their shareholding in Alfa-Laval, the dairy and food processing equipment manufacturer, to Tetra Pak, the liquid packaging concern, earlier this year.

Most of the remainder involved the transfer of their majority shareholdings in Saab-Scania to Patricia, their jointly-owned investment company, as part of a buy-out of the vehicle and aerospace group.

Patricia reported a pre-tax profit of SKr1.87bn for the period.

Investor and Providentia, however, suffered earnings losses, excluding capital gains and extraordinary income. Investor suffered a loss in income after financial items of SKr27m, against a profit of SKr145m a year ago. Losses for Providentia were SKr110m, against a profit of SKr61m the previous year.

The losses reflected interest payments on loans for the buy-out of Saab-Scania, which reported a 51 per cent fall in profits before extraordinary items, to SKr660m, for the eight-month period, as operating profits declined by 27 per cent to SKr1.05bn.

Recovery of the Stockholm bourse sharply increased the value of the companies' share portfolio, with both reporting an increase of more than 40 per cent. This surpassed the 26 per cent rise in the Stockholm bourse's general index.

Archie Norman appointed as chief executive of Asda

By Roland Rudd in London

MR Archie Norman, finance director of the Kingfisher group, will become chief executive of Asda, shareholders of the debt-laden grocery retailer, were told at an extraordinary meeting yesterday.

Asda, which has been trying to fill the post for nearly six months, had been rebuffed by several leading businessmen before it announced its new chief executive.

Mr Norman said he found the offer "irresistible". He would implement significant changes in the running of the UK's fourth-biggest grocery retailer. "There is a clear need for a new direction; no change is just not an option. The business cannot stand still."

Asda has already embarked on a streamlining initiative to save £8m ($13.5m) a year which will lead to the loss of 350 head office jobs.

Analysts remain sceptical that Asda will be able to find a new formula for tackling the strategic dilemmas of competing with the fast-expanding J. Sainsbury, Tesco and Safeway chains, which between them have raised nearly £1.5bn this year.

Mr Norman dismissed such talk as "misguided" and criticised what he called the "black propaganda" suggesting that Asda was in terminal decline.

"There is no evidence to suggest that Asda is anything other than a secure business, with more than £4bn of sales, and a healthy record of profits," he said.

The announcement of Mr Norman's appointment coincided with the approval of Asda's proposed £357m rights issue, which will help reduce its £931m debt. A syndicate of about 30 banks have agreed to amend the group's borrowing facilities.

The date of Mr Norman's departure from Kingfisher has yet to be decided.

Mr Patrick Gillam, Asda's new chairman, said Mr Norman fulfilled the ideal specification for the job, as a successful businessman with retailing experience.

Asda's new chief executive, who is 37, joined Kingfisher as finance director in 1986. He was formerly a partner of McKinsey and Company, having joined them in 1979 after beginning his career at Citibank.

Lex, Page 21
Rights issue, Page 28

Norske Skog tumbles 41% on sharp fall in pulp prices

By Karen Fossli in Oslo

NORSKE Skog, the Norwegian pulp and paper producer, has posted a NKr302m ($45.1m) drop in eight-month profits to NKr429m and forecast that profits for the year would fall.

The group attributed the decline in profits to a marked drop in market prices for pulp and poor demand for timber building products.

Group operating income in the period fell to NKr6.127bn from NKr6.611bn in the year-earlier period.

The company said that lower earnings would affect the group's investment programme. Expenditure this year will be reduced to NKr1.6bn, down from a planned NKr2bn..

The group's equity-to-debt ratio was 32 per cent at the end of August, the same level as at the end of 1990. Liquid reserves amounted to NKr3.1bn.

Victoire's net profits slide 35%

By William Dawkins

GROUPE Victoire, the French insurance company controlled by Compagnie Financière de Suez, yesterday revealed a 35 per cent decline in profits for the first half of the year.

The decline in net group profits to FFr924m, from FFr1.43bn ($245.4m) in the first six months of last year, was almost entirely because of a sharp reduction in exceptional gains. Victoire made heavy asset sales in the first half of last year to finance its takeover of Colonia, the German insurance group.

Pre-tax profits were stable at FFr400m on turnover of FFr33.3bn, up from FFr30.1bn.

Assuming no unexpected large claims arise in the second half of the year, Victoire said it expected full-year net profits to about equal to last year's FFr1.8bn.

Mr Jean Arvis, Victoire's chairman, refused to comment on French press reports that Union des Assurances de Paris, the largest state-owned insurer, was negotiating with Suez to exchange UAP's minority stake in Victoire for control of some of Colonia's activities.

Acquisitions help Kvaerner rise NKr64m to NKr750m

By Karen Fossli in Oslo

KVAERNER, the Norwegian engineering, shipping and shipbuilding group, yesterday reported a NKr64m ($9.6m) increase in eight-month pre-tax profits to NKr750m, helped by two key acquisitions earlier this year.

Group operating profits in the period increased slightly to NKr556m from NKr553m.

Kvaerner said that the acquisition of Kvaerner Masa Yards, a Finnish shipbuilder, and Sweden's Gotaverken Energy contributed to the profits increase. Profits from shipbuilding activities rose to NKr339 from NKr64m in the year-earlier period. Profits from shipping activities increased by NKr11m to NKr213m.

The company said that orders during the eight-month period rose to NKr12.35bn from NKr8.55bn a year earlier. The group's order backlog increased by NKr403m to NKr22.18bn.

Reunification helps MAN climb 24%

MAN, the Munich-based trucks, printing machinery and engineering group, announced yesterday that its net profits for 1990-1991 rose by 24 per cent, higher than the 22 per cent rise indicated a month ago when the company gave the first details of its results for the year to end-June, writes David Waller.

Net profits were DM406m ($237m) against DM328m for the previous year, reflecting unexpected demand for machinery and printing products from eastern Germany. In February, the company said it thought earnings would rise only slightly.

MAN confirmed that the 1990-91 dividend would rise to DM12 from DM11 per share and sales in the first quarter of this financial year were up 7 per cent over the year-ago period.

Outokumpu FM255m in red after eight months

By Enrique Tessieri in Helsinki

OUTOKUMPU, the Finnish state-owned base metals group, slid into the red during the first eight months of the year. The group reported a loss before extraordinary items of FM255m ($61.2m), against a profit of FM208m in the corresponding period last year.

Consolidated sales rose 14 per cent to FM8.02bn from FM7.06bn. Operating margin fell to FM719m from FM842m, accounting for 9 and 11.9 per cent of sales respectively.

The loss per share was FM3.45, against a profit of FM0.79 a year earlier.

Mr Pertti Voutilainen, president, said that lower demand for metals and larger stocks was undermining a recovery for the worldwide base metals industry.

"Good years for the base metals industry are predicted again for the mid-decade," he said.

● Mr Voutilainen has been appointed chairman and chief executive of Kansallis-Osake-Pankki (KOP), the country's largest commercial bank. He has replaced Mr Jaakko Lassila, KOP president.

● Tampella, the troubled Finnish forest group, yesterday asked the Helsinki Stock Exchange authorities to continue its suspension of trading in the company's shares.

Trading of Tampella shares was suspended on September 20, a day after the Bank of Finland, the country's central bank, moved to rescue Skopbank, Finland's fourth largest bank.

Skopbank is a large Tampella shareholder.

Trading in Skopbank shares was resumed yesterday.

Credit losses hit Norway's top 30 banks

NORWAY'S top 30 savings banks experienced a combined operating loss of NKr700m ($104.6m) in the first eight months of this year, compared with a profit of NKr300m in the corresponding period last year, writes Karen Fossli.

The deterioration reflected the impact of credit losses, the Savings Bank Association said.

The remaining banks returned operating losses of NKr170m, compared with a NKr810m profit last year.

Credit losses rose to NKr2.7bn from NKr2.23bn, while net interest earnings declined to NKr6.75bn from NKr6.89bn.

Separately, Christiania Bank, which announced on Monday it faced technical insolvency, said depositors had withdrawn NKr450m from accounts on Tuesday.

PUBLIC NOTICES

MMC INVITES EVIDENCE AND VIEWS ON THE PROPOSED ACQUISITION BY LLOYDS CHEMISTS PLC OF MACARTHY PLC

The Monopolies and Mergers Commission is inquiring into the proposed acquisition by Lloyds Chemists plc of MaCarthy plc, in addition to the earlier proposed acquisition by Unichem plc, to determine whether either of these acquisitions might operate against the public interest.

The Commission would like to hear from those who have views on the proposed acquisitions, or information which could help with these inquiries. They should write as soon as possible to: The Reference Secretary (Lloyds/ Unichem/ MaCarthy), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

COMPANY NOTICES

B.L.L. BATUHOTH (1983) B.M.

Notice to Holders of Ordinary Stock of BANK LEUMI LE-ISRAEL B.M. in the Israel Bank Share Arrangement

Bank Leumi Le-Israel B.M. reminds the holders of its Ordinary Stock covered by the Arrangement, that they are entitled to give notice of their intention to sell the stock held by them to B.L.L. Batuhoth (1983) B.M. (a company incorporated in Israel, whose registered office is 24/32 Yehuda Halevi Street, Tel Aviv 65546, Israel) no later than 18th October 1991 and to receive the value fixed in the Arrangement, as amended, on 31st October, 1991.

As mentioned in the Notices sent to the registered addresses of stockholders, notice must be received at the latest by 18th October, 1991.

Any holder who has not received a personal notice or who intends to sell his stock and has not yet given notice of such intention is requested to contact Regis Registrars Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ Tel: 081-478 8241 or Bank Leumi (UK) PLC, Tel: 071-629 1205, Ext. 2125 no later than Friday, 18th October, 1991.

The last day for trading on The London Stock Exchange and The Tel Aviv Stock Exchange in the stock covered by the Arrangement will be 17th October 1991.

Shares not sold under the arrangement on 31st October, 1991 will cease to have the benefit of the arrangement. It may then be difficult to sell such shares or to assess a proper market price for them.

This advertisement is issued by Bank Leumi Le-Israel B.M. and has been approved for the purposes of Section 57 of the Financial Services Act 1986 by Bank Leumi (UK) PLC, a subsidiary of Bank Leumi Le-Israel B.M. and a member of The Securities and Futures Authority. Shareholders who are in any doubt as to what action they should take should obtain their own financial advice from a stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services Act 1986.

bank leumi בנק לאומי

LEGAL NOTICE

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of the Insolvency Act 1986

REPAP ENTERPRISES INC
US$200,000,000 FLOATING RATE NOTES DUE 1997

AGENT BANK
BARCLAYS BANK PLC
STOCK EXCHANGE SERVICES DEPARTMENT
168 FENCHURCH STREET
LONDON EC3P 3HP

CLUBS

PERSONAL

Philip Morris surges 20% to $1.1bn

By Nikki Tait in New York

PHILIP MORRIS, the tobacco, food, and beer group, yesterday rolled out, with its usual predictability, a 20.7 per cent advance in third-quarter profits. The group lifted after-tax profits to $1.13bn, on sales 7.4 per cent higher at $13.8bn.

The net income figure compares with $937m in the same period a year earlier, and means the group has notched up after-tax profits of $3.22bn for the first nine months of the year, against $2.66bn in the first three quarters of 1990.

At the earnings-per-share level, there was a similar 20.8 per cent improvement in the third quarter, to $1.22. The figure was largely in line with analysts' expectations, but the shares shaded slightly, down $⅞ at $73⅛.

Much speculation has surrounded Philip Morris' acquisition intentions and, as is customary, the company offered no hints yesterday. It did, however, say its consumer products debt-to-equity ratio had improved further, to 1.21 to 1 at end-September. This compares with 1.44 to 1 at the end of the 1990.

In the profitable domestic tobacco division, revenues rose by 11.9 per cent to $2.82bn, while operating profits were 14.1 per cent higher at $1.21bn.

The group said domestic unit volume rose marginally – up 0.8 per cent – despite a 1.8 per cent industry decline. Overall, the Marlboro brand held its market share, but Philip Morris conceded this was partly due to the introduction of Marlboro Medium.

The international tobacco division clocked up a 10.4 per cent revenue gain, at $3bn, while operating profits rose 20.4 per cent to $501m. Unit volume, including exports, increased by 11.6 per cent – due to higher volume in Europe, the Soviet Union, the Middle East and Japan.

On the food front, there was a modest sales gain of 3 per cent, to $6.69bn, but operating profits advanced by 14.3 per cent to $710m.

Philip Morris said that, excluding Jacobs-Suchard, the coffee and confectionery group acquired during the third quarter of last year, and the fourth-quarter 1990 deconsolidation of certain subsidiaries, operating income rose an 8.7 per cent.

The beer division, which takes in the Miller brands, demonstrated the least fizz. Operating profits fell by 4.8 per cent to $99m, although revenues picked up by 17.7 per cent at $1.13bn.

Schwab up strongly on record sales

By Patrick Harverson in New York

CHARLES Schwab, the largest US discount broker, yesterday reported net income for the third quarter of $13.2m, earned on record three-monthly revenues of $147.4m. In the same quarter of 1990, Schwab made a profit of $7.2m on revenues of $103.9m.

A big rise in commission earnings and the contribution of principal transaction revenues from Mayer & Schweitzer, the recently acquired market-maker in over-the-counter stocks, were behind the strong performance of the San Francisco-based broker.

Commissions over the three months were up 25 per cent on the corresponding period of 1990, buoyed by heavy interest in domestic equities from individual investors. The number of trades executed by Schwab for customers each day averaged 17,000 in the third quarter, up from 14,600 a year ago.

Net interest revenue rose 11 per cent to $20.5m, primarily as a result of continued growth in client assets invested at the broker's investment management unit and higher margin loan balances.

Expenses excluding interest, however, rose 35 per cent to $122.9m due to a rise in volume-related employee compensation and increased spending on an extended branch network, customer service facilities and new products.

McCaw unveils network plan

By Karen Zagor

MCCAW Cellular Communications, a leader in the fast-growing US cellular telephone market, yesterday unveiled plans for a cellular telephone network that it hopes will ultimately link the entire US under a single cellular communications system.

Shares in McCaw held steady at $29¾ in the morning, after climbing $1½ a day earlier in anticipation of the announcement. The issue has traded in a range of $11⅛ to $30¾ in the last year.

The move is the first step towards realising Mr Craig McCaw's dream of creating a "seamless" national cellular network. He wants to unite the scattered independent licensees competing against regional telephone companies into a group of local duopolies.

The first phase in the system, launched yesterday, will operate under the Cellular One banner. It will allow subscribers in four large regions of the US – which take in New York, New Jersey, Pennsylvania, Florida, California, Nevada, Washington and Oregon – to receive the same services on the mobile system as they receive on home telephones.

Computerised exchanges will automatically pass calls to subscribers in the network, so callers in these areas will be able to make and receive calls directly, instead of using a cumbersome series of access codes.

The next step, which the company said was already under way, will connect all of the McCaw and LIN Broadcasting (which is 52 per cent owned by McCaw) markets which have dissimilar types of switching equipment.

The final phase of the project will allow other independent North American cellular telephone carriers to join McCaw's network.

McCaw, which is slated to report its third-quarter results on October 31, has expanded rapidly and assumed huge debts to fund its foray into the mobile cellular telephone business. It is expected to remain in the red for some time.

The company has spent about $215m on the first stages of its network, with $125m spent in the New York City area alone.

Honeywell, the US electronics and automation group, reported a dip in third-quarter profits at $79.1m after tax, compared with $86.8m in the same period a year earlier, writes Nikki Tait.

The figure, however, was scored on sales also down by 4.4 per cent at $1.49bn, compared with $1.56bn, while operating profits improved from $172.5m to $178m.

Waste Management rises to $207m

By Barbara Durr in Chicago

WASTE Management, the world's leading solid and hazardous waste services company, yesterday reported an advance in third-quarter net income. The figure, before an extraordinary charge, was lifted to $207.1m or 42 cents per share, from $190.7m, or 40 cents a share, last year.

The extraordinary charge of $24.5m, or 5 cents a share, reflected the company's percentage interest in a write-down by affiliate Wheelabrator Technologies of its stock in the Henley Group and Henley Properties to market value.

Waste Management's revenue growth continued to be strong, with a 22 per cent rise to $1.9bn in the quarter ended September 30.

For the first nine months, net income before the extraordinary item was $579.7m, or $1.18, on revenues of $5.54bn. This compares with income of $513.6m, or $1.09 a share, on revenues of $4.17bn last year.

Mr Dean Buntrock, chairman, said that while the US recession and impediments to inter-state shipment of hazardous wastes had affected business, it had "correctly anticipated" them and taken steps to control expenses and improve productivity.

Operating profits at Polaroid slip to $47m

By Our Financial Staff

THIRD-QUARTER operating profits of Polaroid, the US photography group, dropped to $47.2m from $59.7m a year ago.

Net income rose to $582m, or $10.47 a share, from $31.3m, or 42 cents, however, after including a pre-tax gain of $925m from the settlement of a patent infringement suit with Eastman Kodak.

Nine-month net income was $625.2m, or $11.18 a share, against $96m, or $1.31.

Revenues totalled $1.44bn, against $1.38bn for the nine months and $474.6m against $463.7m for the third quarter.

The group said third-quarter operating profits continued to be unfavourably affected by manufacturing and research and engineering start-up costs for new products.

US sales increased 8 per cent in the third quarter, despite a weak economy.

Overseas revenues declined moderately because of currency exchange factors and an unfavourable comparison with a burst of sales from east Germany last year.

Provisions hit Security Pacific income

By Karen Zagor in New York

SECURITY Pacific joined Citicorp in posting weak third-quarter results when other big US banks provided evidence of the sector's recovery.

The need to increase loan-loss provisions amid continuing credit difficulties, cut into the profitability of Security Pacific, which turned in a net loss of $509m, or $4.10 a share, against net income of $135m, or $1.05, in the year-earlier period.

The bank, which is slated to merge with BankAmerica, hiked its loan loss provision to $1.2bn from $240m a year earlier. Security Pacific also suspended its dividend.

The need to shore up loan loss provisions was reflected in the third-quarter results of Wells Fargo, another California bank, whose net income plunged to $86m, or $1.59 a share, against $163m, or $3.03, in the corresponding quarter of 1990.

Although the bank's loan loss provision was reduced to $200m in the third quarter, compared with $350m at the end of the second quarter, the provision was bigger than some analysts had expected.

The most auspicious results came from Chemical Banking and Manufacturers Hanover, *the two New York banks* which are merging to create the third biggest bank in the US.

Chemical turned in net income of $131.6m, or $1.22 a share, for the three months to end-September, against a net loss of $43.7m, or 69 cents, a year earlier.

Manufacturers Hanover turned in third-quarter net earnings of $77m, or 77 cents a share, against $77m, or 89 cents, a year earlier. The decline in earnings per share reflects a higher number of shares outstanding in 1991.

The solid results came in spite of increased credit loss provisions and the impact of the weak economy on Manufacturers Hanover's credit portfolio and profitability.

General Electric ahead despite market softness

GENERAL Electric, the diversified US industrial and services group, edged ahead in third-quarter net earnings. Strong profits in financial services and other businesses were partly offset by restructuring charges and lower income in sectors vulnerable to the recession, writes Martin Dickson in New York.

The company reported earnings of $1.04bn, on revenues of $14.6bn, compared with earnings of $1.03bn on revenues of $14.2bn in the same period of last year. Earnings per share rose 3 per cent, from $1.16 to $1.20, helped by a stock buy-back programme.

Mr Jack Welch, chairman, said the strength of the company's long-cycle businesses (those not so vulnerable to the economic cycle), company-wide productivity and the group's increasing global presence had helped soften the impact of the US recession.

The figures were also helped by a one-time $110m gain by NBC, the television network, on the sale of its interest in the RCA Columbia video joint venture. However, NBC's advertising revenues dropped significantly because of soft markets and lower ratings.

GE said the gain on the sale was more than offset by restructuring charges.

Solid results at AMR prompt Wall St rally in airline shares

By Nikki Tait

AMERICAN Airlines, one of the largest US carriers, yesterday prompted a rally in airlines stocks on Wall Street, when AMR, its parent company, reported 30.4 per cent improvement in operating profits, to $187.2m in the third quarter. Revenue was 15 per cent higher at $3.52bn.

A sharply increased net interest charge – up from $64.4m to $103.7m – meant that the gain at the after-tax level was far more modest. AMR made a net profit of $70.3m in the quarter, compared with $65.6m last time.

However, year-on-year comparisons are distorted by the abnormally high fuel prices resulting from the Iraqi invasion of Kuwait, which began to take effect in the third quarter of 1990. In the third quarter of 1989, for example, AMR made a net profit of $137m.

Yesterday, it said its fuel bill in the three months to end-September 1991 was little changed from the previous year, at $458.8m. This was despite the 12.2 per cent increase in revenue passenger miles.

At the earnings-per-share level, the profits advance translated into a reduction, year-on-year, from $1.05 to 99 cents. In common with all big US carriers, the airline raised new money via a share issue earlier this year.

Mr Bob Crandall, chairman, said yesterday he was encouraged by the "modest" third-quarter earnings reported yesterday. However he claimed it was too soon to say whether the industry *was pulling out of* its nose-dive.

Like all its large rivals, American has blamed the most financially troubled carriers for driving down ticket prices, in order to attract cash-flow.

The airline saw a 66.8 per cent passenger load factor in the quarter, against 65.3 per cent, while the break-even passenger load factor moved from 61.7 per cent to 62 per cent.

Nevertheless, news of the AMR figures pushed all airline stocks higher on Wall Street. AMR gained $3¼ at $64⅞, while Delta jumped $1⅞ to $69⅝ and UAL, parent of United Airlines, improved by $4⅛ to $132m.

Georgia-Pacific shows deficit

By Nikki Tait

GEORGIA-Pacific, the largest US paper manufacturer, yesterday reported an after-tax loss of $27m in the three months to end-September.

This compares with net income of $95m in the same period a year earlier and means the company is showing a $1m loss after $60m of asset sales gains, for the first nine months of the year.

Georgia, which took over US forestry products group Great Northern Nekoosa in March 1990, said the outlook for the rest of the year was mixed. "Business conditions continue to reflect depressed markets in both pulp and paper and building products," said Mr T. Marshall Hahn, chairman.

He said the company believed the "low point" of the recession in the paper business had passed and "business is turning up".

"With the exception of market pulp and newsprint, where there is just too much supply, prices for most of our paper products are improving," the chairman said.

Despite an improvement on the building products side against the 1990 situation, the company was not optimistic about prospects for the rest of 1991. Only in 1992 did it expect conditions to improve.

During the three-month period, operating profits from pulp and paper slid from $279m a year earlier, to $72m, while building products improved from $111m to $130m. Sales for the two divisions were $1.5bn, against $1.9bn and $1.47bn, against $1.52bn, respectively. Total sales for the group fell to $2.97bn from $3.43bn.

Operating profits totalled $207m, compared with $279m, excluding asset sales in the period, while the after-tax loss would have been reduced to $15m had the effect of asset sales been excluded. Georgia shares were up $⅛ at $55⅞ on the news.

● Mead Corporation reported after-tax profits of $25.3m in the three months to September 29, compared with $45.8m a year earlier. Sales were down 5 per cent at $1.21bn.

It, too, blamed low prices for pulp, paper and containerboard for the earnings decline, together with higher interest and depreciation costs related to its coated board expansion.

Coca-Cola advances 15.8% for quarter

By Nikki Tait

COCA-COLA, the US soft drink company, yesterday unveiled a 15.8 per cent improvement in third-quarter profits, at $456.3m after tax. Sales during the period rose by 13.6 per cent to $3.17bn.

The company also announced it was forming a joint venture in the Ukraine, designed to develop a "complete Coca-Cola system" there.

Of the results, Coca-Cola said US soft drink sales were still being affected by the recession. Unit case sales rose by less than 1 per cent and concentrates and syrups by 1.5 per cent, although in September there was "an improving trend over the volume softness earlier in the third quarter".

Internationally, the picture was brighter, as unit case sales rose 8 per cent, while gallon sales of concentrates and syrups were up 6 per cent. Latin America and European Community sales were particularly strong.

Coca-Cola said the joint venture arrangement would increase its involvement in the region. A state-owned plant in Kiev already makes Fanta and Coca-Cola. It declined to say how much it planned to invest.

The joint venture initiative will initially concentrate on the existing Kiev plant, but the aim is to expand operations in the region.

Further setback for US motor industry

THE SEVERITY of the problems facing US car companies was underlined with the release of sales figures for early October showing the industry had fared much worse than expected, writes Martin Dickson in New York.

The trend was confirmed by a statement by Mr Lee Iacocca, the chairman of Chrysler, who said: "We're having a huge, severe auto recession." However, Mr Iacocca, said that he thought the industry would rebound next year.

North American-made vehicles were provisionally estimated to have sold at a seasonally adjusted annual rate of 5.5m units in early October – far below analysts' expectations of 6.5m.

COMPANY NEWS IN BRIEF

GENENTECH, the biotechnology company, reported third-quarter net profits of $13.5m, or 12 cents per share, on revenues of $135m, against a net loss of $133.7m, or a loss of $1.45, last time. Revenues for the period were $112.1m.

For the nine months, net profits were $44.2m, or 39 cents, on revenues of $396.4m. For the same period last year, Genentech suffered a net loss of $115.2m, or $1.32, on revenues of $344.9m.

Merck, the pharmaceuticals group, posted third-quarter net income of $552.4m, or $1.43 per share, on sales of $2.1bn. This was up from last year's net income of $465m, or $1.19, with sales of $1.9bn.

For the first nine months of 1991, net income was $1.6bn, or $4.12, against $1.3bn, or $3.42 last year. Sales were $6.3bn, up from $5.6bn.

Baxter International, another leading pharmaceuticals company, announced third-quarter net income of $156m, or 54 cents, on sales of $2.2bn. This was ahead of last year's net income of $135m, or 46 cents, on sales of $2bn.

Net income for the first nine months of this year was $407m, or $1.39, on sales of $6.5bn. Last year the group recorded a loss of $138m, or $0.74 per share, on sales of $5.9bn.

Clorox, the largest US bleach producer, reported a first-quarter net income of $43.9m, or 81 cents, against $39.4m, or 73 cents, last year. Sales for the period were $417.6m, against $403m.

Dun & Bradstreet, the leading business information group, announced third-quarter net income of $142.4m, or $0.80 per share, against $139.7m, or $0.77, last time. Operating revenue for the period slipped to $1.1bn from $1.2bn.

For the first nine months of 1991, net income was $355.2m, or $1.99, compared with $373.0m, or $2.04. Operating revenue for the nine months was $3.4bn, against $3.5bn.

Compiled by Rioka Nachoma in New York

INTERNATIONAL COMPANIES AND FINANCE

Firmer prices lift Gengold 64%

By Philip Gawith in Johannesburg

A FIRMER gold price and lower retrenchment costs assisted the 11 gold mines in the Gengold group of South Africa to record a 64 per cent increase in after-tax profits to R85.3m (US$30m) in the September quarter.

Ten of the 11 mines improved their performance at the operating level. Mr Gary Maude, managing director, said the good results were "not a flash in the pan" but "the result of a deliberate plan of rationalisation".

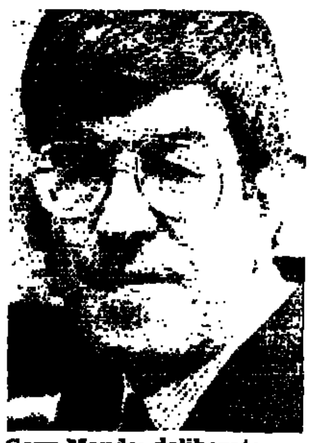
Gengold's labour force stood at 53,500 in August, down from 74,200 in August 1990, and 85,500 a year before that. The current results are improved by mines having completed retrenchment programmes which previously weighed heavily on profits. Mr Maude said the mines were stabilising at a reduced level of operation.

Gold produced in the group dropped to 17,829 tonnes from 18,213, but the average gold price received was 4.4 per cent higher at R33,385 per kg, while working costs fell 1.3 per cent to R27,208 per kg gold produced. This figure is only 1.5 per cent higher than it was a year ago, despite an inflation rate running at about 15 per cent.

Mines which achieved large turnarounds in performance were Buffelsfontein, Stilfontein and Unisel. All benefited from a large reduction in retrenchment costs.

Buffelsfontein made an after-tax profit of R7.2m compared with a R2.7m loss last quarter. Stilfontein, which is on the path to closure, made R200,000 profit compared with a R5.2m loss last quarter. Unisel recorded a R3.7m profit after profits of only R290,000 last quarter.

Of the other large mines in the group, Beatrix, St Helena and Kinross all performed well. Winkelhaak also did well, with after-tax income rising to R25.6m from R18.8m, but the mine passed its dividend because management believes it will, at the current gold price, only break even in the year ahead because it has a R79m capital expenditure programme.



Gary Maude: deliberate plan of rationalisation

The only mine to slip into a loss was West Rand Cons which made an after-tax loss of R1.4m compared with a R1.6m profit the previous quarter. The mine is battling to maintain its grade and Mr Maude said it might be closed.

The mining house, for the first time, published details of forward sales. Mr Maude said its hedging programme was "cautious" and it was not keen to sell more than 10 per cent of production forward.

Mr Maude reiterated his view that "unless you can get the fundamentals right, you just put off the difficult decisions, you don't solve them [by hedging]".

He would like to eliminate the practice, but acknowledges that Gengold is too small to ignore what other mining houses do.

There is considerable division of opinion among South African producers about the merits of hedging.

Tourang faces open resistance

By Emilia Tagaza in Canberra

THE Tourang consortium, the front runner in the bidding for the Fairfax newspaper group, was confronted yesterday with open resistance from Australian statesmen, former politicians and journalists.

A group including two former prime ministers and former leaders of political parties has called on the Labor government not to allow the Fairfax sale to lead to further concentration of media ownership.

The group includes past political arch rivals Mr Gough Whitlam, former Labor prime minister, and Mr Malcolm Fraser, former Liberal prime minister. In a letter published in Fairfax newspapers, it said Australia must not be left with two dominant media groups.

Fairfax journalists demonstrated outside the Melbourne headquarters of ANZ bank, the group's main creditor.

Mr Kerry Packer, who leads Tourang with the Canadian publisher, Mr Conrad Black, owns 19 per cent of the Australian print media.

Safra Republic rises to $21.4m

By William Dullforce in Geneva

SAFRA Republic Holdings, the parent company for the European private banking group headed by Mr Edmond Safra, yesterday disclosed net earnings of $21.4m for the third quarter, up from $18.2m in the corresponding period of last year.

During the first nine months the group has recorded an 18 per cent increase to $61.9m in net income, or $3.48 per share, compared with $2.94 in the previous year.

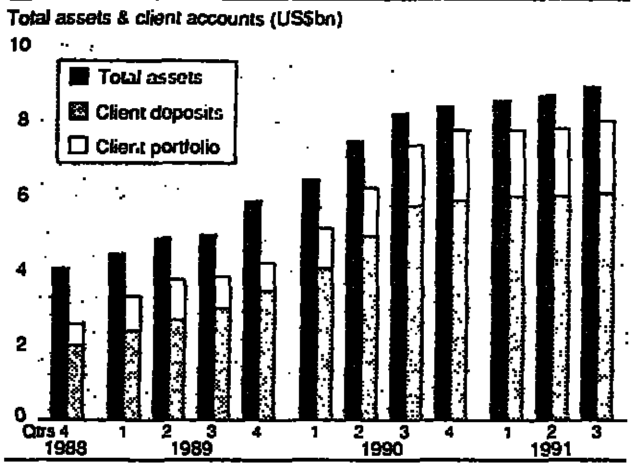
In 1990, Safra Republic posted a net profit of $71.5m or $4.01 per share and paid an unchanged dividend of $2 per share. The group operates five banks under the Republic National name in Geneva, Luxembourg, France, Guernsey and Gibraltar.

At the end of September, clients' deposits and portfolio assets totalled $7.9bn, showing an increase of 13 per cent over the previous 12 months. Of this total, $1.9bn was in off balance sheet portfolios held in safekeeping.

The increase in client accounts during the third quarter amounted to $441m, of which about $250m went into off balance sheet portfolios.

Safra Republic Holdings

Total assets & client accounts (US$bn)



Consolidated assets at September 30 totalled $8.8bn, up by 10.8 per cent over the previous 12 months. Shareholders' equity at $1.06bn equalled 12 per cent of total assets.

The group's money market business is reflected on the liabilities side in bank deposits of $948m and short-term borrowings of $645m, up from $240m at the end of September 1990.

On the assets side, deposits with banks totalled $3.5bn and investment securities $3.8bn. Net interest income grew by $17.6m to $109m, against the first nine months of 1990. Provisions for loans losses increased by $3m during the third quarter to reach $15m.

Safra Republic said its allowance for possible loan losses amounted to 1 per cent of total loans and its banks had no exposure to developing countries.

NEWS IN BRIEF

Tin slump sends MMC down 27%

MALAYSIA Mining Corporation (MMC), the country's largest tin group, has reported a 27 per cent fall in pre-tax profits to M$26m (US$9.47m) for the six months to end-June, from a year earlier, writes **Lim Siong Hoon in Kuala Lumpur.**

The fall reflects the continuing slump in the world tin market and a lower contribution from Ashton, its gold mining company in Australia. MMC expects results to improve on the second half.

Group turnover fell 12 per cent to M$275m from M$315m, but operating profit rose 48 per cent to M$7m.

■ Chigin-Seiho Housing Loan, a Japanese mortgage company, is preparing a restructuring plan in which it will ask creditors to help bail it out of debt of Y1,300bn (US$10bn), **Reuter reports from Tokyo.**

The shares, capitalised at Y2.62bn, are held by 64 regional banks and 25 life insurance groups. The plan is reported to include halving debt in five years and asking leading shareholders for low interest financing and reduction or exemption of interest on their loans to it.

■ Minolta Camera of Japan expects a Y2bn pre-tax parent company loss in the six months to September 31, against a May forecast for flat profits and actual profit of Y4.06bn a year earlier, **Reuter reports from Tokyo.**

It expects weaker camera demand at home and abroad, lower camera sales caused by slow start-up of new products and increased costs tied to sales, personnel and product development. A dividend of Y8.50 will be retained in 1991-92.

■ Mazda Motor, the Japanese car group, will not make a final commitment on whether to buy a stake in South African Motor Corp (Samcor) until Japan's sanctions against South Africa are dropped, **Reuter reports from Tokyo.**

Mazda said yesterday it was still in talks with Samcor which assembles Mazda, Mitsubishi Motors and Ford cars.

Johnson puts Campbell Soup recovery in the can

Guy de Jonquières examines the turnaround

MR David Johnson, president of Campbell Soup, strides through the ornately Victorian City offices of stockbrokers Cazenove. As he enters a meeting room, his eye is caught by a book on the improbable subject of mammals.

"What the heck," he exclaims, "is something like that doing in a stuffy joint like this?"

Blunt speaking and impatience with frills are two of the Australian-born Mr Johnson's hallmarks. Combined with driving energy and attention to the bottom-line, they have provided the ingredients for one of the fastest corporate turnarounds in recent US history.

When Mr Johnson was hired in January last year, the 100-year-old Campbell faced an uncertain future. Its performance had been faltering for several years, while rumours abounded that the founding Dorrance family wanted to sell its 58 per cent holding.

The deterioration accelerated in 1989, when net earnings, after restructuring charges, fell to $13.1m from $274.1m the previous year. In 1990, they slid further to $4.4m. But in its latest financial year, ended July 28, Campbell enjoyed a triumphant revival, reporting record net earnings of $401.5m.

Mr Johnson's approach was brutally simple. He launched an all-out attack on Campbell's costs, closing 20 plants, eliminating 10,000 jobs, chopping unprofitable product lines and selling several subsidiaries.

But while Wall Street applauded the results of Mr Johnson's axe-wielding, it is now asking whether he has the right recipe for re-building sustained growth in the company's sales, which stagnated at about $6.2bn last year.

Campbell has a stable of well-established brands, including Pepperidge Farm cookies, Swanson frozen meals and Prego spaghetti sauce in the US and the internationally better-known Godiva chocolates and V-8 vegetable juices.

However, in the US, volume sales of soup – roughly a quarter of Campbell's sales, but almost half its profits – have been static for years, while competition in frozen foods is increasingly fierce.

CAMPBELL SOUP: YEARS ENDED JULY (US$)

	Net sales	Earnings pre-tax	Net earnings	Net earnings as % of sales
1987	4.49bn	417.9m	247.3m	5.5
1988	4.87bn	388.6m	274.1m	5.6
1989	5.67bn	106.5m*	13.1m*	0.2
1990	6.21bn	179.4m**	4.4m**	0.1
1991	6.2bn	667.4m	401.5m	6.5

* Includes restructuring charges. ** Includes divestiture and restructuring charges

BREAKDOWN OF RESULTS 1991 YEAR (US$)

	US	Europe	Other
Sales	4.5bn	1.15bn	656m
Earnings before tax	694.8m	48.8m	55m

Mr Johnson says the next phase of Campbell's development will focus squarely on North America and western Europe, which account for most of the company's sales.

The strategy hinges on maintaining improved results in the US. However, Campbell must contend with generally flat US retail food sales which, in soups, have led it to seek much of its recent profit growth from regular price rises.

Industry analysts believe it will be hard to raise prices by more than inflation, without losing sales. Critics accuse Mr Johnson of crimping Campbell's growth by being too tight-fisted. He replies a 30 per cent rise in advertising spending is planned this year, after last year's freeze, while capital investment of $400m is budgeted.

As evidence of marketing success, he points to a cream of broccoli soup launched a year ago which is now the fifth most popular soup in the US, while sales of ramen noodle dry soups, introduced three years ago, are growing by 18 per cent annually.

Longer term, Mr Johnson is pinning hopes for faster growth on the proposed North American free trade area which, he believes, will substantially boost output at Campbell's US plants. In preparation, the company has taken full control of its Canadian subsidiary and is starting to test-market Pepperidge Farm lines in Canada and Mexico.

Cross-border expansion is also a high priority in Europe. But there, Campbell starts from a far weaker position. Though it operates in six European countries with annual sales of about $1bn, few products are leaders even in their home markets.

Campbell's immediate pan-European ambitions ride on Biscuits Delacre, a specialist Belgian biscuit subsidiary. Delacre packaging has been standardised throughout Europe and a single advertising campaign launched in five countries.

Meanwhile, Mr Johnson is seeking to replace the high-handed attitude traditionally taken by Campbell's US organisation towards the European subsidiaries with more constructive transatlantic co-operation. Teams of executives are being seconded to Europe from the US to assist local managers. One of the first results is the re-launch of Campbell's condensed soups range in the UK.

But Mr Johnson recognises that other steps will be needed to ensure profitable expansion. He says acquisitions are on the agenda. Here, too, his talents remain to be proven. Campbell's recent European acquisition record has been patchy.

Whether Mr Johnson can do better will be watched closely not just from Wall Street, but by the Dorrance family. For now, they seem happy to hold on to their controlling stake – but for how long? "Who knows?," says Mr Johnson. "But as long as strong results are delivered, the chances of dissent are not very high."

INTERNATIONAL CAPITAL MARKETS

Treasuries dip as traders await move on Fed funds

By Patrick Harverson in New York and Sara Webb in London

US BOND prices eased slightly yesterday morning in light trading as the market awaited an easing of monetary conditions by the Federal Reserve.

By midday the benchmark 30-year government bond was down ⅜ at 102½, yielding 7.899 per cent. The two-year note was also easier, down ⅛ at 100½, to carry a yield of 5.831 per cent.

The market expected the Fed to ease after last week's producer prices data showed no threat to the economy from inflation, but no move was made. Now the consensus among Fed watchers is that the policy makers have decided to wait for the consumer prices and industrial production figures to be released today before acting to stimulate economic activity.

The Fed's easing, when it finally happens, is likely to come in the form of a reduction in the Fed funds rate. The rate has been unusually firm in the last two days due to technical factors, and yesterday was trading at 6¼ per cent, well above the Fed's target of 5¼ per cent.

A Fed ease would be signalled by aggressive intervention to force the rate down to a fresh target, probably of 5 per cent.

■ WORSE-than-expected Public Sector Borrowing Requirement figures released yesterday depressed UK government bond prices, particularly those of long-dated gilts.

The PSBR rose to £2.9bn ($4.9bn) in September against City expectations of £1.8bn. The London International Financial Futures Exchange gilt futures contract fell from its opening of 94.31 to trade at around 94.24 by late afternoon.

■ WORRIES about the possible introduction of an investment tax in Germany dampened demand for German government bonds. The Liffe bund futures contract, which opened at 86.4, traded at 86.24 by late afternoon.

Traders reported some switching out of bunds into French government bonds on expectations of an interest rate cut and into the higher-yielding bond markets such as Italy, Spain and Denmark.

■ AUSTRALIAN government bond prices fell sharply in heavy trading yesterday, following a warning by Standard & Poor's, the credit-rating agency, about Australia's sovereign debt rating. Prices picked up later as foreign investors used the opportunity to buy cheaply, but the market closed lower on the day.

S&P's senior vice-president Mr William Chambers said the agency would retain its negative outlook on Australia's credit rating as long as Australia continued to rely heavily on foreign capital.

The Australian bond market has enjoyed a strong rally in recent months, helped by lower inflation and falling interest rates, but the comments prompted heavy selling yesterday as investors took profits.

The Australian long bond futures contract, which had opened at 90.06, dropped to a low of 89.93, but picked up to close at 90.03. Yields on 10-year bonds are about 10 per cent, against 12 per cent at the beginning of the year.

Expectations of inflation falling further and another cut in interest rates are likely to push yields down, traders said.

The volume for long bond futures reached 33,121 contracts, approaching the high of 36,835 contracts.

■ JAPANESE government bonds firmed yesterday, helped by rumours that the September money supply growth figures due to be released soon would show a drop to 1 per cent.

The yield on the benchmark No 129 bond opened at 5.935 per cent and closed at 5.9 per cent on moderate volumes.

The Bank of Japan's new reserve requirements for commercial banks came into effect yesterday, the first day of the new reserve maintenance period. Overnight unsecured call money rates slipped to 6⅜ per cent from 6⅝ per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.8114	-0.343	9.99	10.07	10.73
BELGIUM		9.000	05/01	99.6300	+0.160	9.04	9.09	9.17
CANADA *		9.750	12/01	104.5000	-0.060	9.06	9.04	9.46
DENMARK		9.000	11/00	100.5750	+0.175	8.90	8.96	9.11
FRANCE	BTAN	8.500	11/96	98.5703	+0.236	8.85	9.04	9.03
	OAT	9.500	01/01	104.7500	+0.210	8.72	8.84	8.87
GERMANY		8.750	08/01	103.1400	-0.060	8.26	8.28	8.41
ITALY		12.500	03/01	100.7500	+0.010	12.74	12.89	13.01
JAPAN	No 119	4.800	06/99	92.4700	+0.048	6.25	6.30	6.43
	No 129	6.400	03/00	102.7880	+0.173	5.91	5.97	6.09
NETHERLANDS		8.500	03/01	98.6600	+0.050	8.70	8.70	8.77
SPAIN		11.900	07/96	101.3900	+0.160	11.45	11.56	11.45
UK GILTS		10.000	11/96	100-28	-1/32	9.78	9.74	9.68
		10.000	02/01	101-09	-6/32	9.78	9.70	9.60
		9.000	10/08	05-13	-4/32	9.55	9.51	9.40
US TREASURY *		7.875	08/01	103-00	-	7.44	7.43	7.63
		8.125	08/21	102-26	-7/32	7.88	7.83	7.93

London closing. *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

UK agency cuts Japanese bank ratings

JAPAN'S three long-term credit banks suffered a further blow to their credit ratings yesterday, after a series of downgrades by the leading rating agencies this year, writes **Tracy Corrigan.**

IBCA, the London-based credit rating agency, lowered the long-term ratings of the Industrial Bank of Japan (from AA+ to AA), the Long-Term Credit Bank of Japan (from AA to AA-) and Nippon Credit Bank (from AA- to A).

The short-term rating of all three banks is A1+.

IBCA attributed the downgrade to asset quality problems as a result of stock and property market weakness, saying "their operating profitability is currently very weak."

However, IBCA also pointed to the banks' "vast hidden reserves" totalling $45bn as of March 31.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on October 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103	103½		6.52
ALBERTA PROVINCE 9 3/8 95	600	107¼	107⅝		7.23
AUSTRIA 8 1/2 00	400	102⅞	103¼	-⅛	8.00
BANK OF TOKYO 8 3/8 96	100	102⅝	103¼	+⅛	7.64
BELGIUM 9 5/8 98	250	109	109⅝	+⅛	7.84
BFCE 7 3/4 97	150	101½	102	+⅛	7.39
BMP 8 5/8 94	300	104½	105	+⅛	6.74
BP CAPITAL 9 5/8 93	150	103⅝	104¼		6.67
CANADA 9 96	1000	106¾	107¼	+⅛	7.13
CARCO 9 1/4 96	650	103¾	104¼	+⅛	8.26
CCCE 9 1/4 95	500	106½	106⅞		7.00
COUNCIL EUROPE 8 96	100	102¼	102⅜	-⅛	7.42
CREDIT FONCIER 9 1/2 99	300	108⅝	109	-⅛	7.87
DENMARK 0 98	250	60	60½	+⅛	7.79
DENMARK 8 1/4 94	150	103⅞	104¼	+⅛	6.69
ECSC 8 1/4 96	193	103⅞	104⅜		7.31
EEC 7 1/4 93	250	101	101½		6.43
EIB 7 3/4 96	250	102½	103	+⅛	7.10
EIB 9 1/4 97	1000	107⅞	108⅜		7.58
ELEC DE FRANCE 9 98	200	106⅝	107	+⅛	7.64
EUROFIMA 9 1/4 96	100	106½	107¼	+⅛	7.44
EXPORT DEV CORP 9 1/2 98	150	108½	108⅞		7.82
FINLAND 7 7/8 97	200	101¾	102¼	+⅛	7.45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
KREDIETCORP 7 93 LFr	1000	96	97	+⅛	9.48
WORLD BANK 8 96 LFr	1000	95¼		-⅛	9.17
ABN AMRO HOLDING 9 1/4 01 Fl	750	102¼	102⅝		8.87
UNILEVER 9 00 Fl	500	103½	103⅞		8.41
BCE INC 9 5/8 93 C$	300	101⅛	101⅝		8.74
BELL CANADA 10 5/8 99 C$	150	104⅝	105¼	-⅛	9.71
BRITISH COLUMBIA 9 1/4 93 C$	150	100¾	101¼		8.58
EIB 10 1/8 98 C$	130	102⅝	103⅛	+⅛	9.51
ELEC DE FRANCE 9 3/4 99 C$	275	101⅝	102⅛	-⅛	9.44
FORD CREDIT CANADA 10 94 C$	100	102⅜	102⅞	+⅛	9.04
GENERAL ELECT CAP 10 1/4 93 C$	175	103	103⅜	+⅛	8.51
ONTARIO HYDRO 10 7/8 99 C$	500	105⅜	106		9.73
OSTER KONTROLLBANK 10 1/4 99 C$	150	104½	105		9.39
QUEBEC PROV 10 1/2 98 C$	200	103⅝	104½		9.76
ROYAL TRUSTCO 10 1/4 93 C$	100	100⅝	101⅛	-⅛	9.73
SWEDEN 9 3/4 93 C$	250	101½	102⅛		8.61
BELGIUM 9 1/8 96 Ecu	1250	100⅜	100⅞		8.89
CNT 7 3/8 93 Ecu	250	96	96⅜	+⅛	10.00
CREDIT LYONNAIS 9 96 Ecu	125	97½	99	-⅛	9.67
DENMARK 7 5/8 96 Ecu	250	92⅝	93⅛	-⅛	9.77
EEC 7 5/8 94 Ecu	200	97⅛	97⅝	+⅛	8.99
EIB 10 97 Ecu	1125	105	105¼		8.76
ITALY 10 3/4 00 Ecu	1000	110¼	110⅝	+⅛	8.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Brokers go into bourse as traders dig in heels

By Haig Simonian in Milan

BROKERS at the Milan bourse, their work currently paralysed by an indefinite floor traders' strike, yesterday returned to the trading floor in a bid to close the October account on time.

The unprecedented move, which took place with the traders' reluctant approval, is not expected to be repeated, and dealings at Italy's 10 bourses will remain frozen until the dispute ends.

When that will be remains unclear. For despite increasing divisions among the 800-strong floor traders, the stoppage looks set to continue.

The action follows one-day strikes last December by the floor traders and a threat of similar moves by the brokers to protest against legislation reforming the country's equities business.

For many floor traders, employed by brokers to carry out the day-to-day equity dealing on the bourse, the strike is the only way to draw attention to the 250-300 job losses so far announced as a result of the reforms.

Under the laws, due to come into force in January, stockbroking will be dominated by a new type of trading and fund management business, called a Societa di Intermediazione Mobiliare (Sim). The Sims will be bigger, better capitalised and trade in a more transparent way than the brokers.

Although some small stockbrokers will remain in business in their current form, many have announced plans to team up with banks and set up Sims.

The transformation of many broking firms into Sims has given brokers the chance to cut the numbers of floor traders they employ, without running foul of Italy's otherwise highly restrictive labour laws. The scale of likely redundancies has been increased by the fact that most *Sims* will be run by the banks, which already have large securities trading departments.

The bourse reforms will oblige the banks to conduct all their equity business on the bourse, ending the practice whereby a large amount of business is handled internally, with banks simply matching customers' buy and sell orders. But that the banks have big trading operations *leaves little scope for new* employment for floor traders.

Matters have been exacerbated by decreasing bourse trading over the last 18 months: and new technology – a move to screen-based equity trading will be introduced later this year and gradually extended during 1992 – could eventually make floor trading a dying profession, along the lines of the changes seen in London and Paris.

The traders' position seems weak, given the pace of change elsewhere in Europe, and the fact that only about one third of trading in Italian shares takes place on the bourse, with the rest being handled internally by the banks, or on the Seaq International system in London.

However, the bourse tends to provide guide prices for both the banks and Seaq, partly explaining why Seaq volume has also plunged this week.

A meeting of traders today outside the Milan bourse will review the negotiations. So far, there is little sign that either the government, brokers or the traders themselves will budge.

Jardine Fleming buys Malaysian securities stake

By Lim Siong Hoon in Kuala Lumpur

JARDINE Fleming, the Hong Kong financial group, has joined the growing ranks of foreign stockbrokers entering the Malaysian equities business. It has agreed to take a 30 per cent stake in Apex Securities.

Apex, under a holding group called Apex Equity, is one of 10 Malaysian brokerages to have recapitalised and gained a listing on the Kuala Lumpur Stock Exchange, following the government's directive to restructure the industry last year.

Apex said Jardine's participation would provide "expertise and prestige" in the domestic and Asian Pacific equities market. Jardine already has a research office in Kuala Lumpur.

The value of the deal has yet to be finalised, pending an independent audit of the broking company's net asset value. Its paid-up equity is M$20m, while Apex Equity's market capitalisation is about M$54m (US$20m).

Other foreign brokers which have invested in the Malaysian market this year include Asia Equity, the Hong Kong broker, and Morgan Grenfell, the UK banking group.

INTERNATIONAL CAPITAL MARKETS

Tightly priced brace of yen deals coolly received

By Simon London

TWO tightly priced Euroyen issues received a muted reception in the international bond market yesterday, despite strong underlying demand for yen bonds based on expectations of lower Japanese interest rates.

SBAB, the Swedish government housing finance institution, launched a Y30bn five-year deal, lead managed by Nomura International. The bonds were priced to yield 6.125 per cent, regarded by many market participants as tight.

The borrower maintains a triple-A credit rating from Moody's Investors Service, the US agency, but Scandinavian credits are regarded with caution by international investors due to economic and financial instability in the region.

However, most participants said that the bonds could be sold at around the fixed re-offer price of par, with some work. The lead manager held the deal at the fixed re-offer price throughout the day.

Crédit National's Y30bn seven-year deal fared less well, lead managed by Mitsui Taio Kobe. The bonds also carry a 6⅛ per cent coupon but were priced to yield 6.18 per cent, again seen as tight by syndicate officials.

However, the lead manager opted to break syndicate during the afternoon, leaving the bonds free to trade. The issue immediately fell from the fixed re-offer price of 99.70 to hit a low of about 99.20. By the close of trading the lead manager was supporting the issue and the bonds traded back up to 99.60 bid.

Toyota Motor Finance added to recent supply of Eurodollar bonds, launching a $250m three-year deal lead managed by Merrill Lynch. The bonds carry a 6½ per cent coupon and were priced to yield 42 basis points above US Treasury bonds.

Participants reported strong demand for the issue, which had sold out by the end of the morning session. The borrower is popular with a range of Euromarket investors and the short-dated maturity appealed to investors with a less bullish long-term view of the dollar bond market.

By the close of trading the deal stood at 99.68 bid, up from a fixed re-offer price of 99.64, where the yield spread was 40.5 basis points.

The European Investment Bank doubled the size of its outstanding Pta20bn, 11.15 per cent issue maturing 1996, creating a Pta40bn benchmark in the matador bond market.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Fin.BV(a)†	250	6½	100.2875	1994	1⅜/1.1875	Merrill Lynch
Hosiden Corp(a)♦	100	4¼	100	1995	2¼/1½	Daiwa Europe
Dong-A(c)§	23	(3-3½)	100	2006	2½/1½	Baring Bros./Daishin Secs.
Fortis Finance NV(a)†	300	7¾	101.525	1998	1⅞/1.675	JP Morgan Secs.
Bacob Overseas(b)‡†	225	(b)	100	1994	0.18/0.10	UBS Phillips & Drew
CANADIAN DOLLARS						
Deutsche Bk Fin.NV(d)†	100	9⅜	103.165	1996	1⅞/1¼	Deutsche Bk Cap Mkts.
Bco.Nacional d'Comercio Ext.(a)†	60	11	99.675	1996	1⅞/⅞	Bankers Trust Int.
D-MARKS						
Deutsche Finance NV(e)†	500	8½	101.20	1996	(e)	Deutsche Bk
IMI Bank Int.(a)†	150	8½	101.70	1996	2/1¼	Deutsche Bk
PESETAS						
EIB(f)†	20bn	11.15	102.19	1996	1⅝/1	Banco Bilbao Vizcaya
YEN						
Credit National(a)†	30bn	6⅛	101.225	1998	1⅞/1.675	Mitsui Taiyo Kobe Bk
SBAB(a)†	30bn	6⅛	101⅝	1996	1⅞/1.775	Nomura Int.

★★Private placement. §Convertible ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from $150m. Coupon pays ⅛% over 3-month Libor. Non-callable. c) Put option after 5 years to yield 7-7¼%. d) Fungible with existing C$250m deal. Non-callable. e) Selling concession fee - 1¼%. Non-callable. f) Fungible with existing Pta20bn deal. Matador issue. Non-callable.

Liffe optimistic on Italian derivatives

THE London International Financial Futures Exchange (Liffe) hopes volume on its new option on Italian government bond futures, due to start trading on October 24, will reach at least 1,000-1,500 contracts a day, according to Mr David Burton, Liffe's chairman, writes Haig Simonian in Milan.

Mr Burton confirmed that Liffe may extend its Italian derivative products with the introduction of a future on 90-day Eurolira deposits early next year, after its move to larger premises.

The Eurolira contract had formerly topped Liffe's list of potential Italian products, but was replaced by a long-term government bond contract, which started trading on September 19.

The new 10-year Buoni del Tesoro Poliennali (BTP) contract has turned out to be one of the exchange's most successful launches, with an average 7,850 contracts traded daily and open interest of 10,300 contracts.

Volume could climb after approval from the Securities and Exchange Commission for US investors to use the contract. Liffe hopes approval will come by year-end, said Mr Burton. There was "immense interest" in the US in the BTP. "We hope that in a year's time, the BTP will match the best contract that Liffe currently has".

Trust aims to smooth row with ANC to protect issue

By Simon London

THE Independent Development Trust, the South African health, housing and education foundation which hopes to launch an international bond issue next month, has moved to patch up a potentially damaging row with the African National Congress.

The IDT hopes to launch a $100m five-year issue next month, backed by a guarantee from the South African government. The issue would be the second public bond issue by a South African borrower since 1985, following the government's DM400m five-year deal launched via Deutsche Bank last month.

Although the ANC has supported the work of the IDT within South Africa, it said on Tuesday that "the granting of loans to the IDT will undermine financial sanctions which remain an important part of the sanctions campaign against apartheid".

This month, ANC officials said that an ANC-led government would not necessarily honour the international debt obligations of the South African government.

Mr Jan Steyn, IDT chairman, said in London yesterday that he was seeking an urgent meeting with the ANC and was confident that the issue would be resolved. He added that the problem would have to be resolved before the bond issue could go ahead. The IDT's development work requires cross-party support, he said.

A statement apparently issued with ANC support said that both parties were convinced "a misunderstanding had arisen". However, this statement was repudiated by Mr Mendi Msimang, the ANC's chief representative in London.

IDT officials were in London yesterday meeting institutional investors at the offices of J.P. Morgan, the firm mandated to lead-manage the proposed bond issue. Other presentations will be held in Frankfurt and Zurich.

The IDT was set up last year with a R2bn ($704m) government grant. About R1bn has been allocated to projects, leaving the trust in need of further funding.

European Bourse Reform: Sweden aims to draw in more foreigners

Sax, Sox, tax moves widen interest

THE election of a non-socialist government in Sweden last month is aiding the Stockholm bourse in its ambition to become the centre of a common Nordic securities market by the late 1990s.

One of the first acts of the new government was to propose the abolition of the turnover tax on share transactions from December 1. The tax, introduced by the Social Democratic government in 1984, was instrumental in driving trading in Swedish blue chip shares to London and New York. Last year 45 per cent of turnover in Swedish equities was conducted outside the country.

Much of that business has been lost, probably for good, since Swedish multinationals have grown accustomed to relying on foreign securities markets as they move production abroad. But there are still hopes that the elimination of the tax, which amounted to 1 per cent on transactions, will allow Stockholm to compete on a more even footing.

Other beneficial tax changes are expected in the next two or three years, once government commission studies are completed. They will include eliminating double taxation on dividends and granting individual investors the same right as institutional investors to not pay capital gains tax when the gains are re-invested.

These measures will improve prospects for attracting small and medium-sized companies to the bourse. Emphasis on providing finance for smaller concerns is a big element of the bourse's strategy.

Investor interest could also be widened by proposals to eliminate restrictions on foreign ownership of shares. Foreign investors are limited to acquiring 40 per cent of the equity and 20 per cent of the voting power in most Swedish companies. Foreign interests control about 7 per cent of the Stockholm bourse's market capitalisation.

The government wants to abolish "restricted shares", which are reserved for Swedes, and make all shares available to foreigners. This would increase the chance of outsiders taking control of Swedish companies. Some estimates suggest that such a move could double foreign investment in the Stockholm bourse to about SKr80bn ($13bn) and help prevent an impending shortage of liquidity in the market.

The bourse is harmonising its regulatory rules with European Community practices to make it more competitive and transparent, to attract foreign investors. A tougher insider trading law came into effect in February after several scandals revealed weaknesses in previous regulations. Rules were also adopted in April to disclose the identity of investors involved in management buy-outs and reveal attempts to build secret shareholdings in listed companies.

More efficient trading practices have been introduced with the inauguration in June 1989 of the automated trading system for equities and convertibles, called the Stockholm Automated Exchange (Sax), to replace call-over and after-market trading arrangements.

The system is being expanded to include the electronic trading of bonds. The automated bond exchange, known as Sox, is expected to be tested by the end of the year. Price data on both Sax and Sox is transmitted to dealers by the bourse's information system, Six.

The hope is that these automated exchanges will serve as the nucleus for a joint information and trading system that will connect the main Nordic securities markets in Stockholm, Helsinki, Oslo and Copenhagen, with subscribers in London and New York. "It would set the stage for a true Nordic market," says Mr Bengt Ryden, the Stockholm bourse president.

Foreign brokers in overseas financial capitals could trade on the Stockholm and other Nordic markets using the automated exchanges. The increased involvement of foreign brokers, who will be allowed direct access to the market next year, would break the domination of the big domestic brokerage firms, the largest of which are owned by the main Swedish banks.

The lack of competition has meant that Swedish brokerage firms charge the same standard commissions, with only a few discounts quietly given to important customers. But this is beginning to change under foreign influence.

US brokerage O'Connor, and the investment companies controlled by the Wallenberg family, this year established Arbitech, the first brokerage house to offer publicly stated cut-rate commissions on large trades.

The Stockholm bourse will be privatised by mid-1992 as part of legislation that will abolish its legal monopoly on share trading, while allowing the exchange to expand its activity to option and debenture trading. Sweden already has the Stockholm Options Market, and the bourse so far has expressed little interest in competing against it.

Few analysts expect a domestic competitor to the bourse to appear. The Swedish market share and bond markets are too small to support more than one centre: while privatisation will help secure the bourse's monopoly, since brokerage firms and the 100 biggest listed companies will gain joint ownership of the exchange.

This should, in theory, remove any incentive for powerful financial players to challenge the bourse by establishing a rival.

John Burton

SWEDISH BOURSE

Listed companies	Swedish 117	Foreign 10
Market capitalisation	SKr597bn	
Turnover	9 months 1991	9 months 1990
Shares	SKr32.2bn	SKr22.7bn
Bonds	SKr183.5bn	SKr81.3bn

Articles on the French, Dutch, Italian and German bourses appeared on September 26, October 4, October 9 and October 11.

S&P plans German branch

STANDARD & Poor's, the US credit-rating agency, is to set up a German subsidiary early next year, writes David Waller in Frankfurt. The move comes several months after Moody's Investors Service became the first rating agency to open a branch in Germany.

Mr George Dallas, senior vice-president of S&P London, said yesterday that S&P had decided to open in Germany because of the prospects for the country's fledgling commercial paper market. He said both the number of issuers and the volume of debt outstanding had increased considerably since the market was established nine months ago. There would be more need to rate corporations as the market expanded further, he said.

Twenty German companies have tapped the market with issues worth a total of more than DM13bn ($7.8bn) and S&P reckons the market can grow by several times.

Kidder names Europe chief

KIDDER Peabody, the investment banking unit of General Electric of the US, has brought in Mr Georges Ugeux, chief financial officer of Société Générale de Belgique, to run its European operations, writes Richard Waters. The move signals its intention to develop that area of its business.

Kidder's European business is currently built around its London-based Eurobond operations, three continental European offices which mostly sell US equities and minority stakes in investment firms in Spain and Italy.

Mr Michael Carpenter, president and chief executive, said Kidder intended to develop strengths in industries where Kidder had a US presence, such as energy. Also, it planned to import trading technology in use in the US.

Mr Ugeux has a strong background in mergers, acquisitions and corporate shake-ups.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1991. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Oct 16 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Oct 15 Index No.	Mon Oct 14 Index No.	Fri Oct 11 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (182)	822.01	-0.1	9.38	5.90	13.32	30.83	823.09	825.59	822.43	703.02
2	Building Materials (23)	993.52	-0.3	7.60	6.27	17.30	41.32	996.74	1004.25	995.74	959.65
3	Contracting, Construction (31)	1060.48	-1.4	8.82	6.87	15.51	49.81	1075.47	1081.95	1082.96	1145.02
4	Electricals (11)	2517.95	-0.8	8.70	5.25	14.56	84.23	2537.93	2563.31	2568.32	1863.41
5	Electronics (25)	1758.10	+0.5	10.87	5.42	11.63	50.62	1748.55	1748.96	1741.95	1557.66
6	Engineering-Aerospace (8)	354.48	-0.3	15.69	7.28	7.69	16.48	355.62	361.01	357.82	407.75
7	Engineering-General (43)	489.53	-0.1	9.99	5.18	12.37	16.55	490.17	489.42	488.33	363.95
8	Metals and Metal Forming (9)	432.22	+1.0	15.22	8.20	7.98	17.48	427.89	432.37	434.32	398.55
9	Motors (12)	347.86	+1.7	6.83	6.92	20.04	14.65	342.21	343.01	340.07	268.41
10	Other Industrial Materials (20)	1602.72	-0.4	7.89	5.09	15.06	56.92	1609.39	1605.20	1599.89	1156.96
21	CONSUMER GROUP (189)	1546.91	+0.2	7.40	3.62	16.72	33.59	1544.44	1539.13	1531.49	1185.63
22	Brewers and Distillers (22)	1933.58	+0.1	7.99	3.48	15.23	38.33	1931.48	1936.51	1933.81	1480.70
25	Food Manufacturing (19)	1206.37	+0.1	9.40	4.15	13.13	29.98	1205.03	1201.80	1198.52	1002.16
26	Food Retailing (17)	2490.47	+0.9	8.94	3.39	14.63	50.36	2467.73	2463.06	2438.02	2338.06
27	Health and Household (22)	3708.28	-0.4	5.45	2.55	21.03	61.57	3724.43	3697.32	3662.08	2366.27
29	Hotels and Leisure (24)	1323.97	+0.6	7.70	5.32	16.06	45.61	1316.20	1315.79	1317.80	1188.06
30	Media (26)	1541.92	+0.2	6.98	4.60	18.72	44.30	1538.83	1529.49	1522.21	0.00
31	Packaging, Paper & Printing (17)	761.82	......	7.38	4.29	16.45	22.51	762.12	757.46	758.06	485.71
34	Stores (33)	1002.98	+0.6	7.41	3.70	17.69	19.48	996.99	992.07	986.26	806.67
35	Textiles (9)	627.74	+0.2	7.36	4.96	17.23	15.49	626.34	619.11	624.71	407.51
40	OTHER GROUPS (109)	1272.53	-0.4	9.45	5.10	13.31	35.79	1277.31	1285.45	1282.44	954.41
41	Business Services (12)	1406.25	+0.3	7.60	4.64	16.37	34.95	1401.75	1404.79	1404.72	0.00
42	Chemicals (21)	1445.29	-0.7	6.98	5.01	17.69	48.39	1456.19	1466.21	1465.03	988.20
43	Conglomerates (10)	1500.42	+0.1	9.64	7.00	12.57	38.76	1498.76	1493.48	1475.17	1290.15
44	Transport (13)	2319.27	-0.5	7.35	4.90	16.86	68.02	2330.38	2315.09	2331.98	1830.93
45	Electricity (16)	1219.99	-0.1	14.40	5.33	9.06	27.53	1221.30	1236.20	1249.00	0.00
46	Telephone Networks (4)	1565.52	-0.6	9.57	3.87	13.67	28.34	1575.72	1599.00	1591.35	1054.88
47	Water (10)	2372.45	-0.5	17.22	6.49	6.43	118.37	2384.88	2409.95	2388.73	1931.95
48	Miscellaneous (23)	1854.99	-0.2	5.32	5.31	26.03	69.91	1859.25	1861.01	1850.71	1457.73
49	INDUSTRIAL GROUP (480)	1281.39	-0.1	8.44	4.53	14.78	34.28	1282.28	1283.54	1278.55	997.16
51	Oil & Gas (20)	2474.96	+1.4	10.56	5.61	12.52	93.60	2441.88	2415.02	2399.38	2296.64
59	500 SHARE INDEX (500)	1382.87	+0.1	8.71	4.66	14.45	38.99	1381.38	1380.68	1374.87	1103.51
61	FINANCIAL GROUP (91)	802.52	-0.1	-	5.83	-	31.43	803.67	804.13	792.55	688.08
62	Banks (9)	956.57	+0.1	4.36	5.58	43.39	37.46	955.97	951.95	935.71	733.85
65	Insurance (Life) (7)	1466.49	-0.1	-	5.77	-	63.68	1467.40	1476.89	1452.21	1301.96
66	Insurance (Composite) (6)	594.61	-1.6	-	7.38	-	30.72	604.54	613.62	601.20	596.90
67	Insurance (Brokers) (9)	1139.58	+0.6	7.21	5.95	18.16	43.14	1132.64	1127.16	1115.41	809.70
68	Merchant Banks (7)	470.13	+0.1	-	4.49	-	13.08	469.84	466.50	472.98	344.08
69	Property (36)	922.53	+0.2	5.92	5.07	23.91	23.78	921.05	919.76	908.36	921.54
70	Other Financial (17)	261.00	+0.8	10.98	7.04	11.44	10.86	258.86	258.91	259.53	245.20
71	Investment Trusts (70)	1229.64	-0.1	-	3.51	-	27.02	1231.33	1224.76	1228.56	991.08
99	ALL-SHARE INDEX (661)	1242.78	+0.1	-	[illegible]	-	36.63	1241.92	1241.30	1234.68	1001.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 15	Oct 14	Oct 11	Oct 10	Oct 9	Year ago
FT-SE 100 SHARE INDEX♦	2579.0	+2.3	2583.3	2571.3	2576.7	2574.5	2555.0	2570.8	2584.1	2068.0

FIXED INTEREST

	PRICE INDICES	Wed Oct 16	Day's change %	Tue Oct 15	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.81	+0.03	121.78	1.60	9.94
2	5-15 years (28)	133.42	-0.10	133.88	1.06	11.84
3	Over 15 years (8)	142.66	-0.19	142.94	1.98	10.60
4	Irredeemables (6)	159.89	-0.23	160.27	4.04	8.83
5	All stocks (70)	132.17	-0.07	132.45	1.37	11.20
	Index-Linked					
6	Up to 5 years (2)	166.10	....	166.09	0.16	3.16
7	Over 5 years (9)	149.18	-0.06	149.27	0.55	3.83
8	All stocks (11)	150.38	-0.05	150.46	0.49	3.81
9	Debs & Loans (60)	113.22	+0.02	113.20	2.05	8.53

	AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 16	Tue Oct 15	Year ago (approx.)
	British Government				
1	Low	5 years	8.68	8.73	10.63
2	Coupons	15 years	9.51	9.49	10.88
3	(0%-7¾%)	20 years	9.51	9.49	10.88
4	Medium	5 years	9.77	9.77	11.57
5	Coupons	15 years	9.67	9.63	11.32
6	(8%-10¾%)	20 years	9.61	9.58	11.24
7	High	5 years	9.98	9.97	11.67
8	Coupons	15 years	9.75	9.71	11.54
9	(11%-)	20 years	9.66	9.62	11.49
10	Irredeemables		9.69	9.67	11.03
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.79	3.79	4.28
12	Inflation rate 5%	Over 5 yrs.	4.21	4.20	4.43
13	Inflation rate 10%	Up to 5 yrs.	3.13	3.12	2.98
14	Inflation rate 10%	Over 5 yrs.	4.02	4.01	4.23
15	Debs &	5 years	11.35	11.35	13.42
16	Loans	15 years	11.18	11.18	12.79
17		25 years	11.01	11.01	12.42

♦Opening index 2579.7; 9 am 2575.8; 10 am 2575.6; 11 am 2583.1; Noon 2582.4; 1 pm 2581.7; 2 pm 2577.6; 2.30 pm 2577.5; 3 pm 2578.2; 4.10 pm 2577.5; (a) 11.06am (b) 9.50am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	45	28
Corporations, Dominion and Foreign Bonds	0	5	15
Industrials	251	265	977
Financial and Properties	97	113	551
Oils	30	17	43
Plantations	0	0	10
Mines	22	44	87
Others	61	32	51
Totals	471	521	1,762

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	198	188	Adam & Harvey	193		W10.0	5.9	6.9	3.3
634	F.P.	-	671	649	All Nippon Airways Y50	654	-17	Q10%	1.4	0.3	-
-	F.P.	-	2½	2	Butte Mining Wrnts.	2½		-	-	-	-
†	F.P.	-	110	95	Capital Ventures 1p	95	-5	-	-	-	-
4	F.P.	-	9½	4½	Coher 1p	5		-	-	-	-
-	F.P.	-	23	18	Eng. & Scott. Wrnts.	19	-1	-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	268	-12	-	-	-	-
100	F.P.	-	115	105	Gartmore Scotland Inc.	113		M11.6	-	13.7	-
100	F.P.	-	99	85	Do. Capital	94		-	-	-	-
-	F.P.	-	£665	£605	Do. Units	£655		-	-	-	-
146	F.P.	-	170	148	Irish Life Ir10p	170		HQ102%	-	5.4	-
§290	F.P.	-	346	297	Lowndes Lambert 5p	338		L11.5	1.9	4.5	15.8
50	F.P.	-	54	47	‡Simpsons of Cornhill 5p	48		-	-	-	14.9
62½	F.P.	-	63	63	Vtech Holdings 5c	63		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	F.P.	-	107½	102½	Allied Radio 8pc Cv Uns Ln 2001	102½	-1
10p	F.P.	-	8p	8p	Butte Mining 10pc (Net) Cv Prf 1994	8p	
100	F.P.	-	100	98½	Cantbourne Inds. 10½pc Rd. Deb. 2001	98½	
100	F.P.	-	90	75¼	Claybithe 9½pc Cv. Ln. 2000-01	77½	
100p	F.P.	-	111¼p	104¼p	Gartmore Scotland Zero Div Prf.	111¼p	
-	F.P.	-	96	95½	Land Securities 10pc 1st Mtg Deb 2027	96	
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	101¼p	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
140	Nil	-	20pm	6pm	Barry Wehmiller 5p	7pm	
380	Nil	-	12pm	3pm	British Aerospace 50p	4pm	
28	Nil	-	1¼pm	1¼pm	‡Crossroads Oil 5p	1¼pm	
45	Nil	-	6pm	3pm	‡Crown Comms. 10p	3pm	
26	Nil	-	2½pm	1½pm	Dewhirst Group 10p	1½pm	-½
310	Nil	-	70pm	64pm	Domino Printing Scis. 5p	64pm	-1
160	Nil	-	38½pm	25pm	Hickson International	27pm	
210	Nil	-	11pm	¼pm	Hillsdown Hldgs. 10p	¼pm	
205	Nil	-	30pm	22pm	MB-Caradon	29pm	+5
80	Nil	-	21pm	18pm	Meggitt 5p	18pm	-2
65	Nil	-	4pm	1½pm	Porter Chadburn 5p	1½pm	-2
85	Nil	-	16pm	12pm	Record Hldgs. 5p	16pm	
14½	Nil	-	2pm	¼pm	Stannia 5p	¼pm	
200	Nil	-	10pm	3pm	Third Mile Inv. Units	3pm	
45	Nil	-	23pm	14pm	‡Trans World Comms. 10p	14pm	
3½	Nil	-	1pm	¼pm	Willis Group A	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. & Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct. 7
- Last Dealings Oct. 18
- Last Declarations Jan. 9
- For settlement Jan. 20

For rate indications see end of London Share Service

Calls in ASDA, Ashley Grp., Aviva Pet., Ferranti, ML Labs., Stakis, Strong & Fisher, Thames TV, TV-am, Tyne Tees TV, Ultramar, Western Mining and Wheway. Puts in Colorgen and Ratners. Puts and calls in Costain and Dolphin Packaging.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*603)	550	53	71	87½	½	14½	19
	600	10	40	59½	7½	31½	38½
	650	1½	21	38½	48	61½	68½
ASDA (*50)	40	10	15½	16½	¼	2¼	5
	50	2¼	7½	11	3½	6¼	9½
	60	¼	3¼	6½	11½	13½	16½
Brit. Airways (*200)	160	40	41½	44½	½	2	3
	180	20	23½	30	½	4½	7
	200	3	11¼	17½	2¼	11	14½
SmKl Beecham A (*753)	700	52½	73½	91½	¼	10½	17
	750	9½	41	61	8½	27	34½
	800	1	19½	38½	48½	54½	58½
Boots (*427)	390	36½	43½	56	½	4	7½
	420	9	23	37	2½	13½	18
	460	½	8	17½	33½	39	40
B.P. (*352)	330	21	28	33½	½	5¼	7¼
	360	1¼	10¼	17	9½	17½	20½
British Steel (*118)	110	8	9¼	13¼	½	3	4¼
	120	1¼	4¼	7¼	2¼	8	9
Bass (*990)	977	17½	-	-	5½	-	-
	1000	-	30½	51½	-	45½	51½
C & Wire (*562)	550	12½	36½	55	3½	18	25
	600	1	15½	32	38½	46½	51½
Courtaulds (*484)	460	25	40	55	1	9¼	14
	500	2	18½	32	18	27	29
Com. Union (*478)	460	17½	37	44½	1½	8½	17½
	500	¼	15½	23	23½	29	38
Fisons (*462)	460	6½	26	38	4½	18	24
	500	½	10½	21	38	44	47
GKN (*352)	330	21½	36½	42½	¼	6½	14½
	360	2	18½	25	10½	19	28½
Grand Met. (*850)	800	50½	75	88	1	14	20
	850	8½	43	59½	8	33½	40½
I.C.I. (*1282)	1250	35½	90½	113	4	30	50½
	1300	7	61½	85½	25½	50	74½
Kingfisher (*545)	500	45	62½	77½	½	5	8½
	550	6½	29	46½	9½	20	26½
Ladbroke (*251)	240	4	15½	21½	3	9½	14½
	260	1	8	14½	17½	20½	26
Land Secs (*512)	[illegible]						
M & S (*278)	[illegible]						
Sainsbury (*355)	[illegible]						
Shell Trans (*537)	[illegible]						
Storehouse (*109)	[illegible]						
Trafalgar (*233)	[illegible]						
Utd. Biscuits (*384)	[illegible]						
Unilever (*785)	[illegible]						
Ultramar (*275)	[illegible]						
Brit. Aero (*380)	[illegible]						

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*443)	420	27	37½	50	4½	11	14½
	460	5	16½	30	23½	30	32½
BAT Inds (*638)	600	45½	65½	76	3	9¼	15
	650	13½	35½	46	21	27½	32½
BTR (*403)	390	21	33½	37½	4½	10½	28½
	420	5¼	16½	23	18½	24½	28½
Brit. Telecom (*392)	390	12¼	23½	32	8½	18½	21½
	420	3¼	11	18½	28½	35½	37½
Cadbury Sch (*409)	390	27½	44½	50½	6½	14½	22½
	420	11½	28	35½	19	28	36½
Eastern Elec (*236)	230	10½	17½	23	3	8½	9½
	250	2¼	7	11½	15½	19½	21½
Guinness (*1024)	1000	41½	76	95½	11½	26½	39½
	1050	16	48	68½	36½	50½	61½
GEC (*195)	180	16½	20	25½	1	3	4½
	200	3½	8	13¼	7½	11	13
Hanson (*218)	200	19¼	22½	25½	½	4¼	6¼
	220	5¼	9¼	13	5¼	14	16½
LASMO (*315)	300	19½	32½	35½	5¼	9½	14½
	330	5¼	16½	20	18½	24	29
Lucas Inds (*143)	140	4½	10¼	14	6	10½	12½
	160	1¼	3½	7	24	24	25
P. & O. (*490)	472	27½	45½	-	5	13	-
	500	-	-	37½	-	-	33½
Pilkington (*154)	140	16	21½	27	1¼	5¼	7½
	160	4½	10	16½	9½	14½	17½
Prudential (*232)	220	15½	24½	27½	1¼	4¼	7¼
	240	4½	12½	16½	10	13	17
Racal (*56)	55	3½	-	-	3	-	-
	60	1½	3	-	5½	6	-
R.T.Z. (*558)	550	21¼	42½	50½	11½	18	30½
	600	4	20	27½	46½	50½	58½
Scot. & New (*415)	390	30½	38½	49½	2½	8	10½
	420	10½	22	31	11½	20½	22½
Tesco (*252)	240	15½	24½	28½	2¼	5½	8½
	260	5	13½	17½	10½	14	17½
Thames Water (*367)	360	-	-	30½	-	-	14½
	370	7	15½	-	13½	17½	-
[illegible]	[illegible]						

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Hillsdown (*212)	200	-	-	26	-	-	11½
	216	7	14½	-	12½	15½	-
Lonrho (*246)	240	15	19½	22½	6¼	14½	17
	260	5¼	10	13½	16½	27	29
Midland Bk (*259)	240	26	34½	40½	4½	8	11½
	260	13½	23	30	11½	16½	19
National Power (*158)	140	21½	23½	26½	1½	3¼	4¼
	160	7½	11	15½	7¼	10	11½
Reuters (*974)	950	65	95	120	26½	48½	56½
	1000	38½	66½	91½	45	70	78
R. Royce (*135)	130	10½	14½	16½	3¼	7	9
	140	5¼	9¼	11¼	8	13	14½
Scottish Power (*109)	100	11	13½	17½	1½	2¼	3¼
	110	4¼	7½	11	4¼	7	8
Sears (*93)	90	6½	9½	11½	3¼	6	8½
	100	3	5¼	6¼	10½	12	13½
Forte (*275)	260	20½	29	32½	4	7	11½
	280	8¼	18	20½	11	15½	19½
Thorn EMI (*799)	750	60	73½	93½	6½	13½	17
	800	24½	42½	63½	25½	32½	36½
TSB (*138)	130	12½	15½	17½	2¼	4¼	5¼
	140	6½	10	12½	5¼	9	10½
Vaal Reefs (*567)	60	9¼	11	15	2¼	4¼	6¼
	70	4½	7¼	8½	7¼	10¼	12
Wellcome (*721)	700	43	68½	90½	23	32½	41
	750	22½	43½	63½	49½	56½	61½

EURO FT-SE INDEX (*2578)

	2425	2475	2525	2575	2625	2675	2725	2775
CALLS								
Oct	164	116	70½	32½	10	3½	2	½
Nov	186	142	101	67½	39	19½	8½	3½
Dec	210	-	130	-	67½	-	25½	-
Mar	262	-	184	-	125	-	72½	-
Jun	297	-	228	-	167	-	117	-
Sep	340	-	267	-	202	-	152	-
PUTS								
Oct	3	4½	8½	20	44½	87½	135	184
Nov	9	14	22½	37½	57½	86½	124	169
Dec	16	-	32½	-	66½	-	123	-
Mar	38	-	57½	-	91	-	138	-
Jun	52½	-	75	-	105	-	150	-
Sep	62½	-	87½	-	117	-	152	-

[illegible]

Grampian Hldgs raises Macarthy offer to £79m

By Jane Fuller

GRAMPIAN Holdings, the Scottish mini-conglomerate, has increased its offer for Macarthy, the retailer and drugs manufacturer, to £79m.

Its all-paper bid comes after rival offers from Lloyds Chemists and UniChem, the drugs wholesaler, were stalled by references to the Monopolies and Mergers Commission.

Macarthy not only rejected Grampian's new offer, but also expressed reservations about the bidder's financial performance and management, accusing it of distorting its reported profits and questioning the value of its shares. It is understood that Schroders, Macarthy's financial adviser, plans to elaborate on these themes in a defence document.

Grampian, which pointed out that its accounts had won awards, said it had passed Macarthy's statement to its lawyers to examine for possible libel.

The Scottish group also announced yesterday an 8 per cent increase in interim pre-tax profit to £4.12m on sales of £68.3m (£67.3m).

Its offer of 147 shares for every 100 of Macarthy's values the target's shares at 287p (up from 254p), compared with yesterday's close of 272p. At its peak, Lloyds' mostly paper bid was worth 306p a share, although Lloyds' share price has reached a higher level in the past couple of days following the announcement of a 53 per cent profit increase.

But neither Lloyds nor UniChem can bid again until after the MMC investigation concludes in mid-January.

Mr Bill Hughes, Grampian's chairman, stressed the scope for margin improvement at Macarthy, where he said annual savings of £3.5m could be made. The acquisition would enhance earnings in 1992.

He admitted that Grampian would not have the same immediate benefits from acquiring the Savory & Moore retail chain as Lloyds, but pointed to other parts of Macarthy's business – notably drug manufacture and veterinary products – which could be integrated with his own.

Mr David McGibbon, Grampian finance director, said that assuming Macarthy had £15m-£20m debt, the enlarged group's year-end gearing would be just over 50 per cent, compared with 44 per cent for Grampian last December.

The interim pre-tax-profit breakdown was: pharmaceuticals £3.03m (£2.23m); retail, a seasonal loss of £709,000 (£524,000); sports goods £1.35m (£1.26m); transport £922,000 (£1.25m).

Earnings per share rose to 4.34p (4p). The interim dividend goes up to 1.7p (1.5p).

Tony Andrews

Bill Hughes: Macarthy's drug manufacture and veterinary products could easily be integrated

● COMMENT

While Macarthy has taken its gloves off in trying to repel Grampian, shareholders have a fine decision to make. While the Lloyds' offer was a better one, in terms of value, a cash element and retail synergy (and UniChem is better in terms of cash), it will be three months before either can launch a new bid. The worry is that if the government could cause surprise by referring the bids, particularly Lloyds', the outcome of the MMC's deliberations could be equally surprising. Comparing Lloyds' and Grampian's paper, the former looks to be on a less demanding p/e rating at 11.2 to June 1992 compared with Grampian at just over 12 to December 1992. But neither looks expensive, bearing in mind their records and the good opinions of their managements.

Invergordon reiterates rejection of W&M offer

By Philip Rawstorne

INVERGORDON Distillers, the Scotch whisky group, yesterday accused Whyte & Mackay of "scaremongering" to further its £350m bid for the company.

W&M, the UK drinks subsidiary of American Brands, the US tobacco group, yesterday acquired another 11.07m Invergordon shares to bring its total holding to 31.4 per cent.

In a letter urging shareholders to reject the offer, Mr James Millar, Invergordon's chairman, said that W&M had presented "a misleading picture of Invergordon's business and prospects."

It sought to diminish Invergordon's record and projected a gloomy future for the group and the industry. "There is an obvious contradiction in W&M increasing its bid for a company it holds in such low regard," Mr Millar added.

Invergordon's directors and their families had demonstrated their faith in the company's future by rejecting the £19.4m on offer for their 5.5 per cent stake, he said.

Mr Millar dismissed W&M's "clear implication that Invergordon's 1991 profit forecast (an increase of 41 per cent to £32m) may have been manipulated" as a defence against the bid. The figures had been calculated on the same conservative basis as previously published results.

W&M's suggestion of a substantial fall in Invergordon's share price if the bid failed was "simply scaremongering," Mr Millar added.

"I cannot tell shareholders where the share price will settle if the bid fails but I know that our forecasts, together with a better understanding of our business by the stock market, have brought about a substantial re-rating of the shares."

Mr Millar disclosed that Invergordon had reached agreement with Camus, the French cognac producer, and other independent drinks companies on a trading alliance to promote sales in east European markets. Further similar ventures and opportunities for friendly acquisitions would be pursued, he said.

Shareholders' investments in Invergordon as an independent company were worth more than the 275p per share offered, he insisted.

Mr Michael Lunn, W&M's chairman and chief executive, last night again questioned the basis of Invergordon's profits forecast. Could Invergordon really sustain operating margins higher than those of Guinness, Highland Distilleries, and Macallan Glenlivet with their strong brands? he asked.

Invergordon's reliance on the commodity and value for money end of the Scotch whisky business, he added, made its prospects more uncertain in a challenging period ahead for the industry.

Productivity advance helps Thorntons rise 5% to £11.9m

By Clare Pearson

A 14 PER CENT productivity gain in manufacturing helped Thorntons, the chocolate maker, lift pre-tax profits by 5 per cent to £11.9m for the year to June 29.

Mr John Thornton, chairman, said the gain helped to offset substantial rises in retail occupancy costs.

Sales in the dominant UK retailing outlets proved robust in the face of recession. On a like-for-like basis, they grew by 6 per cent, with price inflation masking a modest decline in volumes.

Turnover at the outlets, up from 343 to 367 by the end of the year, expanded by 13 per cent to £59m.

The French operation, however, had a difficult year. Mr Thornton laid much of the blame on the Gulf war, and particularly the effects of the decline in tourism on the Paris operation.

He said the French outlets incurred a loss of about £850,000. Their sales amounted to £8.5m compared with £6.9m for the period from September 1989, when they were acquired.

Since the year-end, Thorntons has agreed to sell its shop on the Champs-Elysées in Paris to the landlord, which will give rise to a compensation payment of £2m.

Ice cream, still a small part of the business, was achieving strong sales growth, Mr Thornton said.

In May Sainsbury's was added to Asda as a supermarket outlet for the company's products.

A change in accounting for depreciation benefited pre-tax profits by £224,000.

Operating profits were £11.4m (£10m) on group turnover of £79.9m (£76.2m). Property profits were lower at £713,000 (£783,000).

Instead of £389,000 interest receivable, net interest payable amounted to £241,000.

Earnings per share increased to 12.6p (12.54p).

A final dividend of 2.4p is recommended, lifting the total for the year from 3.3p to 3.6p.

● COMMENT

Compare these results with the numerous tales of woe which have emerged from other niche players and the benefits which can stem from combining manufacturing and retailing shine out. Encouragingly, Mr Thornton is indicating that the company should perform a similar trick with productivity gains as rents continue to rise in the current year. A weak point is the French operation, which Thorntons has yet to prove it can turn round; but at least it has been recouping chunks of the £8.65m purchase price in asset sales. The shares look to be one of the soundest havens in the smaller companies sector, but they are hardly cheap at present on a prospective p/e of about 13 on pre-tax profits forecasts of £12.6m. Trading in the stock, more than half of which is held by the Thorntons' family, is likely to be quiet ahead of the crucial Christmas trading period.

Avon Rubber reorganisation

By Michiyo Nakamoto

AVON RUBBER, the automotive components and tyre manufacturer, is closing its factory at Bradford-on-Avon in a reorganisation of its businesses aimed at reducing costs and streamlining operations.

The reorganisation, which comes in the middle of a difficult trading period for the world tyre industry, involves about 300 redundancies.

Mr Tony Mitchard, chief executive, emphasised, however, that the reorganisation was "a very upbeat event", rather than a cost-cutting exercise in reaction to the recession.

The closure in 1992 of its Kingston Mills factory in Bradford-on-Avon comes as a result of efficiency improvements, including the introduction of just-in-time methods and consequent reductions in inventories, which have enabled the company to achieve the same levels of production using less space.

Production at Kingston will be moved to separate newer facilities. The resulting 35 per cent reduction in floor space in the industrial polymer business alone will bring a significant reduction in the cost base.

Another main objective of the reorganisation was to increase market share by creating more focused business units able to respond better to customer needs, he said.

As a result of the reorganisation, Avon Rubber will consist of the four divisions of Avon Inflatables, Cadillac, in the US, Avon Technical Products and Avon Industrial Polymers.

Avon Industrial Polymers will no longer be a separate company but its activities will be subsumed in the two new divisions of automotive components and technical products that are being created.

Avon Tyres will remain as a separate subsidiary company.

The reorganisation will achieve annual savings in excess of £5m and release cash of about £9m over two years, of which £2m will come from factory closure, £5m from reduction of stocks and the remainder from other disposals.

"We felt that we couldn't wait [to raise profitability] until the recession is over and until we see a demand-led profit improvement," Mr Mitchard said.

Avon, which suffered a 26 per cent fall in pre-tax profits to £3.58m (£4.84m) in the six months to end-March, said it had not yet seen signs of a recovery.

The reorganisation cost, estimated at £5.7m, will be charged as an exceptional item.

Way now open for group to begin reducing its £931m debt mountain

Asda gets go-ahead for £357m cash call

By Chris Tighe and Sara Webb

ASDA, the debt-laden grocery retailer, yesterday won shareholders' approval to proceed with its proposed £357m rights issue.

An extraordinary general meeting of more than 400 shareholders gave overwhelming support to the cash call, clearing the way for the Leeds-based group – the UK's fourth largest grocery retailer – to begin the next stage of its fight to reduce its £931m debt mountain.

The issue of up to 1.06bn shares is on a 9-for-10 basis at 35p each. Dealings start this morning. The shares closed up 5p at 50p.

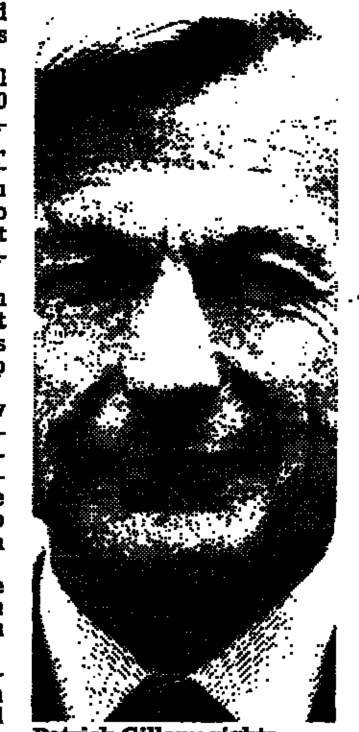
Mr Patrick Gillam, the new chairman, faced hostile questioning but won over his audience, many of them long-standing shareholders, with a pledge that Asda would go "back to its roots" and concentrate on activities it does best.

The meeting agreed to the cash call after Mr Gillam warned: "I don't believe you have a practical alternative."

But a number of shareholders made plain their disillusion with the way the group had been managed in recent years, and there were calls – on which Mr Gillam declined to be drawn – for some board members to be sacked.

There was no evident euphoria at the news of the appointment of Mr Archie Norman, finance director of the Kingfisher group, as the new chief executive. Mr Gillam even had to assure one disgruntled shareholder that Mr Norman was "not another accountant."

Since Mr Gillam's arrival, Asda, which was in danger of breaching its banking covenants, has negotiated a £200m two-year committed facility



Patrick Gillam: rights issue a critical part of the financial restructuring

with National Westminster and Swiss Bank Corporation and received unanimous approval from a syndicate of almost 30 banks to amend its borrowing facilities. These negotiations concerned a £500m multi-option facility and a £260m transferable term loan facility.

Mr Gillam said that the deals were dependent on approval of the rights issue which would reduce indebtedness to £574m and gearing from 72.1 per cent to 36.6 per cent.

"There is no denying the seriousness of the financial squeeze which faced the company when I joined four weeks ago," he said. Describing the new agreements as a "rescue operation," he warned that without them the group could at worst have faced administration and at best very difficult negotiations with its banks.

"The rights issue is a critical piece in the jigsaw of our financial restructuring," he said. Proxy votes indicated support of shareholders accounting for 260m shares with 700,000 against.

The board, said Mr Gillam, had taken the wrong decision when it opted not to raise equity capital by way of rights in order to finance its acquisition of 60 superstores for £704m from Gateway two years ago.

Last Friday, Asda announced 350 head office redundancies and 65 job losses at its Allied Maples furnishings subsidiary. But yesterday Mr Gillam stressed Asda's strengths: its 11 per cent UK food market share and its profitability. "It's wholly wrong to bracket your company with some of the more spectacular business failures of recent years," he said.

Speaking afterwards, Mr Gillam said Asda had been through a period of turmoil with the illness of former chairman Sir Godfrey Messervy, and the departure in June of former chief executive Mr John Hardman. But he said the company had very strong underlying assets. "I am absolutely confident this company can and will be revived."

He could not say how soon Mr Norman, who agreed only yesterday morning to join Asda, would be arriving. Nor would he disclose his salary. Mr Norman was by far the best candidate considered, he said.

Mr Gillam dismissed rumours of takeover talks and declined to talk about Asda's future direction ahead of Mr Norman's arrival, but hinted: "Certainly the management has been looking at piloting the new format."

● Asda's borrowing costs will increase substantially after its rights issue, following the recent debt renegotiations with its lending banks.

The new terms – which include an amendment to the loan covenants in order to reduce the interest cover – were agreed with NatWest and SBC. As a result:

● On Asda's five-year £500m multi-option facility arranged by NatWest (of which £200m was committed), the margin over the London interbank offered rate (Libor) will be increased from 18.75 basis points to 47.5 basis points once the rights issue is complete. Annual fees are 40 basis points for the first year and 50 basis points thereafter.

● The margin on Asda's £260m transferable term loan facility arranged by SBC has been increased to 87.5 basis points over Libor from the original terms of between 12.5 and 20 basis points.

In addition, NatWest and SBC have agreed two-year £200m committed facilities for Asda with a margin of 50 basis points over Libor for the first year, and of 52.5 basis points for the second year, conditional on the rights issue going ahead. The facility fees are 50 basis points for the first year and 60 basis points for the second year.

See Lex

Morgan Grenfell Equity raising up to £30m

By Philip Coggan, Personal Finance Editor

MORGAN GRENFELL Equity Income Trust is attempting to raise up to £30m via an offer for subscription sponsored by James Capel. Up to 30m shares are on offer at 100p each.

The trust will invest in high yielding small and medium-sized companies with the aim of providing shareholders with an above-average income. The initial yield is expected to be about 6.1 per cent.

Some 80 per cent of the assets will be invested in equities, with the balance going into convertible preference and convertible loan stocks.

Like most other recent investment trust new issues, this offer is designed to allow investors to place their shares in a personal equity plan (Pep). A quirk in the Pep rules allows a full £6,000 to be placed in a new issue, compared with only £3,000 that can normally be held in a unit or investment trust Pep.

Two provisions are designed to reduce the discount to net assets, which plagues investment trust new issues. The first is the issue of warrants to invest for new shares at 100p – the same as the offer price – on a 1-for-5 basis.

The second is a so-called "smoking fuse" under which shareholders have the right, every five years, to vote on the continuation of the company.

Applications, for a minimum of 500 shares, must be made by November 6. Dealings are expected to start on November 14.

NFC makes £8m French acquisition

NFC, the transport, travel and property group, has, via its Exel Logistics subsidiary, acquired Bos Finances for FFr80m (£8m) cash and maximum deferred payments of FFr40m.

Bos, based in Brittany, operates three specialist transport and distribution companies covering more than a third of France.

Alan Paul makes two appointments

By Michiyo Nakamoto

Alan Paul, the rapidly expanding hairdressing group which recently had a rights issue to reduce a heavy debt burden, is strengthening its board with two non-executive appointments.

Mr Brian Solomon, formerly a director of Grindlay Brandts Bank and chairman of Capital for Industry, has joined the board as non-executive chairman, and Mr Christopher Smith as a non-executive director.

The appointments come in the wake of an increasingly difficult trading period for the group.

Mr Solomon said that the group had a problem in The Body & Face Place, although the overall hairdressing business was by-and-large profitable.

The rights issue had reduced borrowings as planned, but the group was "severly limited" in the amount of funds available for further development, he said.

Grovewood goes into receivership

By Clare Pearson

Grovewood Securities, the property and industrial group, is going into receivership.

The announcement followed last Friday's appointment of receivers at most of its subsidiaries, including the trading companies.

The remaining interests were some development land and Langham Estates, which the company acquired with its takeover of Priest Marians last year.

Accountants from Price Waterhouse have been appointed as the parent company's receivers. The shares were suspended last week at 2p.

COMPANY NEWS IN BRIEF

APPLEYARD is completing the withdrawal from its Ford franchises through the sale of the Endeavour Motor businesses in Brighton and Shoreham and truck operation in Portslade; Mann Egerton is the buyer and is paying £1.7m cash.

BOURNE END Properties has sold five warehouse properties, currently occupied by Magnet, the kitchen retailer, for £2.5m. The buyers are all private investors.

CAPITA GROUP has won a contract from IBM to develop software to handle council tax. Housing benefit and universal business rate systems are also part of the contract.

DUNHILL HOLDINGS is buying a 34 per cent holding in Dunco, which is primarily responsible for distributing imported Dunhill branded products in Japan.

MOLYNEUX ESTATES has contracted to buy the freehold interest in the Kingsland Shopping Centre at Thatcham, near Newbury, for £3.65m cash. Present income is £430,000 annually, rising towards £475,000 in 1993.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Berls §	int	2	Jan 6	2	-	6.6
Grampian Hldgs	int	1.7	Nov 18	1.5	-	5
Lilley	int	1†	Jan 6	1	-	2.5
Scot Amer Inv	int	1.04	Jan 6	0.96	-	3.8
Thorntons	fin	2.4	Nov 29	2.2	3.6	3.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Margins under pressure as Lilley dives to £1.73m

By Roland Rudd

LILLEY, the Scottish-based construction group, reported a fall from £6.52m to £1.73m in interim profits, as margins from the bulk of its small contracts came under pressure from the recession and adverse weather.

Turnover for the first half of 1991 remained static at £162.2m (£161.2m).

Property development and housebuilding saw a £233,000 operating profit turn into a £2.73m loss. Housing profits halved to £720,000 (£1.5m).

The pre-tax loss was mainly the result of the group's policy of taking financing costs of unsold but completed developments directly into its profit and loss account.

Contracting profits fell from £5.23m to £4m while specialisations declined from £3.3m to £2.1m.

Sir Lewis Robertson, chairman, said the group order book stood at £354m with many contracts of comparatively small unit value and short duration. "As a result there should be a rapid benefit when economic conditions improve" he added.

The interim dividend is maintained at 1p, payable from earnings of 0.91p (3.35p) per share, in an attempt, said Sir Lewis, to balance current market uncertainties against the group's underlying strength.

Mr Bob Rankin, chief executive, said there were three reasons why the second half would be better.

There was a one-off loss of

Sir Lewis: rapid benefit when conditions improve

£500,000 on the sale of US plant assets which would not be repeated; space let would generate £750,000 during the next six months and the recent refinancing programme was expected to cut the £2.5m interest charge by £1.5m.

Two leading Spanish construction companies, Cubiertas and Entrecanales, have together subscribed £24m in Lilley, while Lilley has invested £8.4m in Cubiertas. The deal was expected to strengthen the balance sheet.

By the end of June borrowings were about £30m, representing 60 per cent of shareholders' funds. Lilley predicted that debt would be halved by the year end.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indt. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unem-ployed	Vacs.
1990							
1st qtr.	108.8	118.9	34.2	120.4	132.7	1,612	198.6
2nd qtr.	111.9	120.5	35.0	121.3	140.5	1,612	183.5
3rd qtr.	108.5	118.6	35.2	120.3	141.6	1,653	168.5
4th qtr.	106.6	114.7	32.9	119.1	178.8	1,770	134.8
June	113.2	120.3	36.6	120.5	138.8	1,618	185.4
July	109.5	120.0	38.8	121.4	144.0	1,632	172.4
August	108.1	118.4	35.2	119.4	140.5	1,655	167.8
September	107.9	117.3	36.2	120.2	140.6	1,678	168.2
October	108.6	115.7	34.8	119.0	145.4	1,705	142.6
November	106.2	114.1	34.8	118.4	157.5	1,763	132.4
December	105.6	114.3	32.9	119.7	201.6	1,842	128.7
1991							
1st qtr.	106.4	113.4	31.8	120.1	140.0	1,987	144.7
2nd qtr.	105.3	112.6	31.6	119.1	147.7	2,230	112.8
January	105.3	114.2	32.2	118.6	138.5	1,882	142.8
February	107.0	112.8	32.7	118.5	136.9	1,989	148.9
March	107.0	113.1	31.8	122.8	144.1	2,091	143.5
April	104.4	112.6	32.1	118.8	148.3	2,174	126.1
May	104.8	112.4	31.8	118.2	148.3	2,241	118.6
June	107.4	112.8	31.5	120.6	148.4	2,300	102.6
July	107.1	113.4	31.9	120.6	152.6	2,369	103.9
August	105.5	112.2		119.3	147.9	2,428	108.6

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990							
1st qtr.	114.3	122.2	103.5	120.5	126.9	98.4	14.8
2nd qtr.	114.3	125.5	105.9	122.9	125.7	97.3	14.1
3rd qtr.	113.9	121.2	101.8	118.7	124.0	94.8	13.0
4th qtr.	112.2	115.8	101.1	115.2	116.6	91.8	11.4
June	114.4	124.9	108.9	123.0	130.9	97.0	18.7
July	114.2	124.7	102.3	122.0	127.0	95.0	13.0
August	114.1	120.9	101.1	119.0	118.0	95.0	13.3
September	113.6	117.8	102.0	117.0	126.0	94.0	12.6
October	114.8	116.0	102.6	116.6	114.0	93.6	13.2
November	111.5	114.0	101.3	114.8	118.0	91.8	11.9
December	111.3	116.7	98.3	115.5	115.0	91.0	9.1
1991							
1st qtr.	110.2	117.9	100.8	114.4	110.1	88.5	12.3
2nd qtr.	109.9	115.8	99.6	112.3	109.6	88.0	15.2
January	110.5	119.2	98.3	116.0	110.0	91.0	12.4
February	109.6	117.5	102.3	114.5	108.0	88.8	10.3
March	110.4	117.1	102.9	113.8	112.0	89.8	14.1
April	109.8	116.0	98.0	113.0	108.0	88.0	15.8
May	109.9	115.6	97.4	112.0	110.0	88.8	15.8
June	109.9	115.8	103.4	112.0	111.0	88.0	14.8
July	110.3	116.1	102.4	113.6	108.3	88.8	15.5
August	108.9	114.3	101.1	110.0	110.0	89.0	13.9

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990							
1st qtr.	124.1	144.8	-6,073	-5,263	+388	96.2	38.76
2nd qtr.	126.9	145.1	-5,391	-4,974	+421	98.4	38.99
3rd qtr.	122.8	141.2	-4,635	-2,239	+432	100.1	39.07
4th qtr.	124.9	138.0	-3,176	-1,904	+287	100.2	38.50
June	125.1	143.2	-1,705	-1,586	+146	96.6	39.01
July	118.0	144.4	-1,887	-1,288	- 8	97.4	38.84
August	122.8	140.8	-1,381	- 783	+172	100.7	39.30
September	127.6	138.3	- 767	- 168	+268	102.2	39.88
October	125.4	141.5	-1,206	- 782	+ 71	100.6	38.57
November	126.1	139.3	-1,039	- 615	+113	101.3	38.47
December	123.3	133.2	- 931	- 507	+113	98.5	38.46
1991							
1st qtr.	123.7	138.5	-3,016	-2,601	+208	98.6	40.83
2nd qtr.	127.7	137.6	-2,160	- 782	+259	98.1	43.85
January	119.6	139.4	-1,352	-1,213	-124	99.1	38.37
February	124.9	131.9	- 781	- 643	+153	98.2	41.79
March	126.5	138.2	- 883	- 744	+180	98.4	42.33
April	125.3	138.2	- 831	- 395	+ 46	98.3	43.59
May	124.6	136.6	- 922	- 476	+ 83	98.1	43.71
June	133.3	137.9	- 347	+ 98	+130	97.8	44.26
July	127.9	136.9	- 605	- 406	+ 41	97.9	44.63
August	133.0	145.4	- 743	- 543	+ 40	98.0	44.89
September							44.59

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change);bank sterling lending to private sector; building societies' net inflow; consumer creditt; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. creditt £m	Base rate %
1990							
1st qtr.	6.0	8.8	18.3	+22,066	1,116	+911	15.00
2nd qtr.	6.9	8.4	17.4	+17,380	2,265	+721	15.00
3rd qtr.	4.9	8.1	15.5	+14,432	1,942	+636	15.00
4th qtr.	3.3	7.6	13.8	+15,920	1,210	+712	14.00
June	6.3	8.5	16.9	+ 5,983	809	+240	15.00
July	5.6	8.7	16.4	+ 4,755	563	+159	15.00
August	4.6	7.8	15.5	+ 5,154	523	+196	15.00
September	4.5	7.8	14.7	+ 4,523	856	+331	15.00
October	3.9	7.5	14.2	+ 5,978	692	+342	14.00
November	3.2	7.6	14.3	+ 6,633	-308	+229	14.00
December	2.7	7.9	12.3	+ 3,311	826	+141	14.00
1991							
1st qtr.	2.9	10.4	10.6	+10,587	2,086	+341	12.50
2nd qtr.	1.7	11.8	9.1	+ 6,234	2,035	+321	11.50
January	3.4	10.0	11.2	+ 4,297	934	+ 94	14.00
February	2.8	10.3	10.6	+ 4,636	608	+ 94	13.00
March	2.6	10.6	9.8	+ 1,634	543	+153	12.50
April	1.6	11.2	9.9	+ 3,398	1,237	+325	12.00
May	1.8	12.1	9.6	+ 2,684	774	- 36	11.50
June	2.0	12.0	7.9	+ 152	444	+ 22	11.50
July	2.0	11.0	7.7	+ 3,189	285	+187	11.00
August	1.6	11.1	7.2	+ 3,621	188	- 28	11.00
September							10.50

INFLATION-Indices of earnings (1988=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931 =100); trade weighted value of sterling (1985=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990							
1st qtr.	116.0	105.7	123.1	120.4	116.9	1,836	88.1
2nd qtr.	118.6	103.5	125.7	126.0	119.6	1,904	88.5
3rd qtr.	120.7	102.4	126.6	128.1	119.7	1,883	94.2
4th qtr.	123.6	103.7	128.3	130.1	121.3	1,721	94.1
June	119.2	102.1	126.1	126.7	120.6	1,860	90.4
July	119.9	101.1	125.4	126.6	118.6	1,827	93.5
August	120.7	101.9	125.9	128.1	120.6	1,792	95.3
September	121.5	104.1	127.2	129.3	120.5	1,801	93.8
October	122.3	103.4	127.9	130.3	120.4	1,737	94.8
November	123.3	103.6	128.4	130.8	121.3	1,709	94.2
December	125.0	104.7	128.7	129.9	122.1	1,716	93.3
1991							
1st qtr.	126.5	103.9	130.6	130.6	123.9	1,869	93.6
2nd qtr.	128.1	103.4	132.2	133.6	125.1	1,737	91.4
January	125.7	104.4	130.2	130.2	122.9	1,869	94.1
February	126.4	102.3	130.7	130.9	124.4	1,869	94.3
March	127.5	102.4	131.6	131.4	124.4	1,715	92.9
April	127.5	102.6	132.9	133.1	125.9	1,737	92.3
May	128.3	103.5	133.4	133.5	125.6	1,721	91.7
June	128.4	103.2	133.4	134.1	125.8	1,754	90.2
July	129.0	102.5	133.8	133.6	125.3	1,721	90.3
August		101.1	134.1	134.1	126.4	1,662	90.7
September		100.9	134.3	134.6	125.4	1,655	91.0

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

A scorched earth defence policy, or less is more?

Andrew Baxter and **Andrew Bolger** on Hawker's asset-stripping struggle to fend off BTR's £1.46bn bid

THE CITY of London's biggest takeover battle so far this year, the £1.46bn bid by BTR, the industrial conglomerate, for the Hawker Siddeley engineering group, has led to a curious reversal of roles.

Hawker, one of the most famous names in British industry, has sought to preserve its independence by promising to sell businesses which contribute more than 60 per cent of the group's turnover.

BTR, a corporate raider noted for its hard-nosed attitude to running businesses, says it wants to develop Hawker, and criticises the proposed dismemberment as a desperate panic measure.

With the recession delaying disposals of its worst performing and least promising businesses, Hawker has been forced, as one analyst said this week, to "put everything on the table to defend against a reasonably attractive bid".

The engineering company plans to dispose of four divisions - electric power, instruments and controls, rail and general engineering. Mr Alan Jackson, BTR's combative chief executive, says: "It's almost a scorched earth defence policy - that's what worries us."

Mr Jackson questions Hawker's ability to achieve the proposed disposals and also manage the timing of suitable acquisitions. The proceeds would be used to build up the businesses which Hawker is to keep – electric motors, industrial batteries and aerospace.

Hawker counters that it is simply accelerating its implementation of a wide-ranging strategic review prompted by Mr Alan Watkins, who joined Hawker as managing director in 1989 with a brief to refocus the sprawling conglomerate which had underperformed throughout the 1980s.

The review established that virtually all the company's businesses were in national markets that were moving towards being regional by 1995, or regional markets going global. Mr Watkins concluded that Hawker had a future only in areas where it already had, or could build, a significant regional or global presence.

Hawker's defence programme raises a number of important questions.

Mr Watkins acknowledges that by putting so much up for sale, he risks sapping morale in the businesses that are to be sold, and harming their ability to win big contracts because of uncertainty among customers. Without careful management, the process could rapidly turn into a firesale.

Hawker says this will not be allowed to happen, and Mr Watkins claims that the risks in moving from a covert process of discussions with a handful of prospective purchasers to an open auction will be balanced by the advantages. Having failed to sell its least-focused general engineering division, it is now offering businesses which are profitable but which Hawker believes have no long-term future under its ownership.

Even before the bid Hawker was talking with acquisitive engineering companies such as Asea Brown Boveri, the Swiss-Swedish group. Mr Watkins hopes that revealing Hawker's plans will raise sale prices as rivals vie for a one-off opportunity to buy Hawker's market position.

Only time will tell whether this will prove correct. BTR, meanwhile is keeping its options open, but is under no obligation to offer hostages to fortune in a market generally unfavourable to disposals.

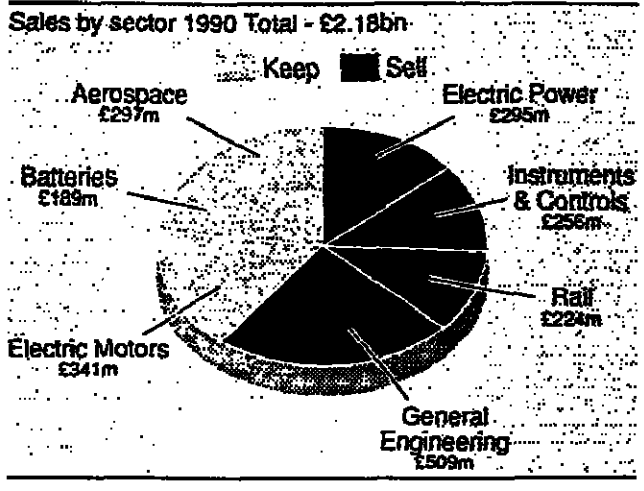
There are then three key strategic questions:

- Has Hawker picked the right companies to sell?

Although Hawker's recent

Hawker Siddeley defence plan

Sales by sector 1990 Total - £2.18bn



acquisitions have given the City a broad hint about which businesses Hawker wanted to develop, some analysts were still surprised by the extent of the planned disposals. "You would have thought there were other parts that may have been worth developing," says one.

In fact, says Mr Watkins, a small number of other businesses may be retained, such as Brush Electrical Machines in Loughborough where manufacturing of underground train motors has been reorganised in one of Hawker's recent manufacturing systems initiatives.

In general, though, there is agreement among observers that Hawker is right to sell the four divisions. One analyst even suggests that, at any given point in time, BTR would not find it any easier to sell them than Hawker.

In transformers and switchgear, says Mr Duncan Lewis, Hawker's director of strategic planning, "the game is run". The company's European sales of £120m are dwarfed by the £900m of Asea Brown Boveri, and too dependent on the UK market to have a future within Hawker.

In the rail division, which BTR believes it can find "opportunities to strengthen", Hawker argues that a similar process of concentration in locomotives and signalling will make it difficult to remain competitive as the European market moves from national to regional status.

- Does Hawker have what it takes to build global businesses?

There are undoubtedly acquisition opportunities in the three businesses that Hawker is retaining. Deals like its £43.5m purchase of Chloride's industrial battery division in January can be followed by acquisitions in Europe in electric motors and aerospace.

According to Mr Watkins, selling the four non-core divisions and reinvesting the proceeds in the targeted areas would create, within 2½ years, a group with sales of £2bn-£2.5bn in today's money.

Crucially though, he claims the process would give Hawker the critical mass it requires in its chosen markets, even though the company's target size would be little changed from current levels.

BTR is scornful of Hawker's ability to co-ordinate the necessary sales and acquisitions. Because of Hawker's past record, Mr Watkins faces an uphill battle persuading shareholders that Hawker can manage this process better than BTR could, although the bidder has less experience of disposals than others such as Hanson.

- Are financially-driven conglomerates really unsuitable to run engineering companies in the 1990s?

The nub of Hawker's case is that what it calls BTR's fixation with return on sales can be damaging or destructive to engineering companies in the long term. Raising prices, cutting costs and product ranges may boost margins in the short term, but eventually sales become static and market shares fall.

Mr Watkins believes the BTR approach could be particularly damaging in the 1990s, with powerful European rivals driven much more by long-term growth prospects than short-term margin gains. BTR counters that it invests heavily in its existing businesses which compete directly with Japanese and other foreign manufacturers.

In any case, says Mr Watkins, Hawker is achieving the best return on sales of any company in the three businesses chosen for retention, and claims the trading margin of more than 10 per cent in electric motors is the best in Europe.

With a pan-European market, and changes such as the opening up of public procurement contracts putting pressure on prices, he believes it will be difficult to improve on these margins.

BTR, meanwhile, says it has lifted trading margins in all the companies it has acquired and denies that this has led to falling sales and market shares. Mr Jackson says he would expect Hawker under his management to have trading margins closer to the 16 per cent achieved by BTR than its current average of 8.1 per cent.

Investors are therefore faced with a stark choice between two very different futures for Hawker. For institutional shareholders, there is an added twist: many are investors in both companies, and will be weighing up whether they would prefer BTR and Hawker to control their assets separately and continue to run them in different ways, or BTR to control everything.

Finally, as Mr Watkins admits, there will be some who ignore all these strategic considerations and accept BTR's shares or the cash alternative. In the weeks since the bid was launched, nobody outside Hawker has called the offer ungenerous.

Kimberley takes Lotus chair

By Kevin Done, Motor Industry Correspondent

MR MICHAEL Kimberley, managing director of Group Lotus, the UK sports car maker and automotive engineering consultancy, is leaving the executive management of the company to become non-executive chairman.

Lotus, a subsidiary of General Motors of the US, said that he would undertake "new business development activities" within the GM organisation.

Mr Kimberley became managing director of Group Lotus in 1983. The company has expanded significantly since the GM takeover in 1986 but has incurred heavy losses in the last couple of years.

It has launched its new Elan sports car range but has been forced to cut production targets in the face of the recession in the US and UK car markets.

Last month the group announced that it was cutting its car manufacturing workforce by a third in the face of a sizeable drop in forecast sales in the US.

Job cuts at the car division have reduced the total workforce of Group Lotus from 1,755 to about 1,400.

The directors of the company said that the post of group managing director was "in abeyance".

Mr Adrian Palmer, currently sales and marketing director of Lotus Cars, is to become managing director of the car division. He joined Lotus at the beginning of the year from SEAT UK, the British importer/distributor of SEAT cars, where he was also sales and marketing director.

It is expected that General Motors Europe will tighten its direct management control of the company. In the past year former GM executives have been appointed as Lotus Cars plant manager and as finance director.

NEWS DIGEST

Baris more than halved to £403,000

THE EFFECTS of the UK recession and pulling out of a Spanish project led to a near-56 per cent profit setback at Baris Holdings, the USM-quoted maker of passive fire protection systems.

In the six months to August 31 turnover rose to £11m (£8.74m) but profits fell to £403,000 (£908,000) pre-tax. Mr Robert Smith, chairman, said the year's profit would show "a significant reduction" on the previous £2.23m.

As explained in July, the involvement on the Vila Olimpica project in Barcelona ended after a dispute with the developer. There was also increasing pressure on UK margins.

Earnings per share dropped to 3.7p (8.3p) but the interim dividend is held at 2p.

Baris Fire Protection was expanding into further specialist markets including fire barriers and penetrations. The recently formed fire-stopping division had already secured contracts, and Baris Dry Lining continued to lift market share in the UK.

Haemocell placing to raise £1.4m

Haemocell, the USM-quoted blood filtration equipment maker, is raising about £1.4m, net of expenses, through a placing of 1.13m new ordinary shares of 1p at 135p apiece. The proceeds will be used to fund short-term working capital requirements.

Directors also said that the pre-tax loss for the year to August 31 would be about £1.75m, including an exceptional charge of £383,000 relating to the costs of terminating various agreements.

The new shares have been conditionally placed with institutional investors by Brown Shipley.

Improvement at Britannia Life

Britannia Life, the Glasgow-based life and pensions office, announced a sharp rise in income from new premiums for the year to end-September.

New annual premiums increased by 73 per cent to £8.3m, while new single premiums more than doubled to £52.1m.

At a time when life insurance sales have been sluggish, Britannia's performance puts it among the industry front runners.

Mr Tom Anderson, general manager (sales), said the performance was particularly good "considering the extremely difficult conditions experienced by the financial services industry during the past year".

New premiums sold through the 250-strong branch network of the Britannia Building Society almost quadrupled, while sales via independent financial advisers rose by 92 per cent.

Formerly known as FS Insurance, Britannia linked up with the Britannia Building Society following its demutualisation in 1989.

Buyer sought for Slaley Hall project

Receivers Touche Ross have begun an international marketing campaign to sell one of the biggest unfinished leisure complexes in the north of England.

The Slaley Hall development, near Hexham, Northumberland, comprises a 140-bedroom hotel at fitting out stage, an operating 18 hole championship standard golf course, timeshare lodges, studio apartments, holiday villas and 329 acres of undeveloped land, with planning permission for another 18 hole golf course.

Its developers, Slaley Hall Golf and Country Club, went into liquidation last month, owing secured creditors, mostly banks, £21m and about £6m to hundreds of unsecured creditors.

According to Mr Len Gatoff, senior partner in the Newcastle office of Touche Ross, the 700-acre prestige scheme got into difficulties due to high interest rates, under-estimation of the total development cost and the recession's impact on timeshare and holiday home investment.

Details of the complex have been sent to 1,000 potential purchasers worldwide. The receivers hope to sell it to a single buyer, and are understood to be seeking offers in excess of £20m.

Nine of the 30 timeshare lodges for which planning permission has been granted, and eight of the 40 studio apartments, have so far been built. The scheme's 65 holiday villas, 18 of which are under construction, are being handled separately, by Stoy Haywood's main London office.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Amer, Boot (Henry), Brooks Service, Business Technology, Chepstow Racecourse, Crown Eyeglass, Govett Oriental Inv Trust, Hunting, Smith (James) Estates.

Finals- Air London Intl, Albert Fisher, Castle Comms, Cradley, MY Holdings.

FUTURE DATES

Interims-

Berry, Birch & Noble .... Oct. 28

COMMODITIES AND AGRICULTURE

Aluminium price up 7% after Alcan cuts output

By **Robert Gibbens** in Montreal and **Kenneth Gooding**

ALUMINIUM PRICES rose strongly on the London Metal Exchange yesterday after Alcan of Canada, the second-largest producer outside the former Soviet Union, announced it was to cut its output by 8.5 per cent, or an annual 143,500 tonnes.

Cuts will affect four smelters. The biggest impact will be felt at Alcan's plant at Lynemouth, Northumberland, in the UK, where production will be halved – a reduction of 66,000 tonnes – and 300 jobs are affected.

Another 200 workers will be laid off in Quebec, Canada, with cuts at Shawinigan (one 21,000 tonnes pot line), Isle-Maligne (one 24,500 tonnes potline), and Arvida (one 23,000 tonnes potline).

Alcan halved the output of its smelter at Lochaber in Scotland to 10,000 tonnes in July.

These measures take the total cuts by the industry in the current recession to 612,150 tonnes or 4.1 per cent of western annual capacity.

Aluminium prices have been recently at their lowest-ever level in real terms but much of the industry has still been operating close to capacity. For some months analysts have been calling for producers to ease back output in the face of rapidly rising stocks.

Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, commenting last night on the Alcan move, said: "The saints be praised. It seems the producers have at last rid themselves of their death wish." He described the Alcan cuts as "not a knock-out blow [to low prices] but a big step in the right direction".

He and other analysts suggested the market would want to see more substantial cuts and other producers following Alcan before the aluminium price could show a sustained rise.

Nevertheless, at the close last night the LME price of aluminium for immediate delivery was up by $82 a tonne or 7 per cent from the overnight level of $1,196.

Mr David Morton, Alcan chairman, said yesterday that cuts were necessary because "at this time we do not see any prospect of a rapid increase in world demand that would redress the [imbalance in supply and demand] situation in the short term."

British Alcan has said in the past that the world's high-cost smelters were now in Europe and that those facilities should close first. Lynemouth was the Alcan group's highest-cost smelter even though much had been done recently to improve productivity and cut costs.

British Alcan said plant would be mothballed but there would have to be a considerable and sustained improvement in aluminium prices and the dollar/sterling relationship before it would consider starting up again.

Alcan said separately that a reorganisation of its research and development arm would result in the loss of 114 jobs, including 45 at its Banbury laboratory in the UK.

Production cuts announced this year

Company	Total cuts (tonnes)	completed by
Alcan	143,500	November 1, 1991
Alumix	67,000	already
Alusuisse	40,000	already
Aluar	15,400	second half 1991
Alumsa Alcoa	22,000	this month
Austria Metall	83,000	end 1992
Hungalu	73,000	second half 1993
Madras Aluminium	25,000	second half 1991
Pechiney	22,250	November 1, 1991
Reynolds	121,000	December 1, 1991
Total	612,150	4.1% of western output

Source: Ord Minnett Research

Stoppage closes platinum mines

By **Philip Gawith** in Johannesburg

TWO South African mines run by Impala Platinum, the world's second largest producer, have closed after a stoppage by 16,000 workers.

The two mines – Wildebeestfontein North and South – are responsible for about half of Impala's production of 1.1m troy ounces a year.

The two mines were closed for a brief period in August when mine management said in the tense climate existing, they could not guarantee the safety of miners underground. Clashes between rival groups over industrial action had resulted in a number of deaths.

A statement yesterday from Genmin, the mining group which controls Impala, said that the industrial action "could be linked to the dismissal of an employee last week".

The 7,000 miners who staged an underground sit-in on Tuesday night came up to the surface yesterday and talks were held between management and employee representatives.

Previous industrial action has centred on pay issues and the refusal of the Bophuthatswana government to recognise the Congress of South African Trade Unions, the dominant trade union grouping in South Africa, to which the National Union of Mineworkers, the union of most South African miners, belongs.

Mr Michael McMahon, managing director of Impala, has said before that the lack of union representatives complicates the resolution of industrial disputes.

● Platinum mines could become political targets in South Africa's present upheavals, the Metals & Minerals Research consultancy group contends in its latest Metals Analysis & Outlook, writes Kenneth Gooding.

It points out that the National Union of Mineworkers, which is dominated by the African National Congress, is not allowed to represent employees in Bophuthatswana. "As the ANC is fundamentally against the incorporation of the homelands [as states] into South Africa, the platinum mines could clearly become a political football," says MMRS, which points out other companies have mines in, or next to, the Bophuthatswana and Lebowa homelands.

It suggests, however, that a flood of platinum to Switzerland from the former Soviet Union is more than compensating for interruptions to South African supply. Some 22.5 tonnes was shipped in the first half of 1991, mainly as collateral for loans.

Much will depend on whether the Soviet deliveries continue and if the metal already in Switzerland finds its way to the market. "This perceived overhang of metal is unlikely to inspire investment offtake," it adds.

Platinum will suffer a supply surplus again this year and next, MMRS predicts, so prices could be "less than inspiring if investors continue to shy away from precious metals". It suggests platinum's price will average $375 a troy ounce this year (down from $472 in 1990) and ease up to average $390 an ounce in 1992.

"Metals Analysis & Outlook," £400 for four quarterly issues from MMRS, 2 Henry Street, Bath, Avon BA1 1JT, England.

Farm subsidies Turkey can no longer afford

Reform must be on the agenda of the new government, writes **John Murray Brown**

WHICHEVER party comes out on top after Sunday's general election in Turkey, it will find that the urgent task of reforming the country's agricultural policy has been made still more difficult by the present government's electioneering.

Farm policy has long been a political issue in a country where 40 per cent of the 58m population depend on agriculture for their incomes. In its drive to woo the farming vote, the government has recently promised to freeze fertiliser prices and buy all the commodities farmers can sell.

Turkish agriculture has many natural advantages. From the mist-shrouded tea plantations of the Black Sea to the sub-tropical Mediterranean greenhouses, the country is all but self-sufficient in food commodities. Agriculture accounts for about a fifth of its total exports of $13bn, while imports are minimal.

Turkey produces all types of citrus, is an important source of the figs on the Christmas dinner table and is also one of the world's largest producers of pharmaceutical opium, after a US-supported campaign to counter illegal drug production.

However, like many developing countries – and developed countries who can better afford the luxury – Turkey's farm policy is dominated by subsidies, still seen in some official quarters as the universal cure for an ailing agriculture.

While not a member of the European Community, Turkey clearly suffers from its proximity to European markets. The government is under pressure from farmers to provide support in line with EC subsidies.

About 40 per cent of Turkey's 58m people depend on agriculture for their livelihoods

Indeed Mr Osman Ozbek, the head of the farm union, wryly concedes that the only reason he supports President Turgut Ozal's bid for Turkish membership of the EC, is so farmers can benefit from the Common Agricultural Policy – which many EC officials say would probably have to be scrapped if Turkey was allowed to join.

A senior official at the Turkish grain board (TMO), which has the job of buying from farmers at the official support price, said: "Under present Community prices, of course we can't compete – grain production is highly mechanised and suits a high-wage farm sector. And," he argues, "It certainly makes sense to support farmers in areas where there is no alternative employment."

There is clear evidence that the subsidies are distorting Turkish farm policy. Last year for example, according to the grain board more than 120,000 hectares of farmland in Thrace switched from sunflower to wheat production, in response to the government's pricing policy. As a result, this year Turkey has become a net importer of vegetable oils.

The cause of current difficulties is the high level of support prices paid to farmers in 1990 in the wake of 1989's harvest failure. Turkey's policy of importing large amounts of grain turned out to be excessively prudent. In the event, 1990 turned out to be a bumper year.

The board's finances are only just recovering from the fiasco of last year's market intervention, which cost the state company US$700m according to foreign economists. This August the board made the last repayment on the $400m foreign borrowing taken out in 1990, part of which was used to finance wheat purchases from farmers at twice the prevailing world price; the rest of the credit was to cover import deals contracted by the TMO.

The board's accumulated stocks are being shipped to the Soviet Union under a $218m trade agreement. From being a big importer of grains in 1990, Turkey has become a significant exporter. In addition to the Soviet deal, the TMO invited Cargill International and other leading grain traders to a wheat auction at Kemer in June, which concluded $250m worth of deals.

Turkey looks set for another bumper wheat harvest in 1991, with economists forecasting that wheat production will rise to 16m tonnes from 15m in 1990. According to officials, the TMO plans to make 5m tonnes of intervention purchases.

Exactly how Turkey will pay without pushing up inflation, which is already above 60 per cent, remains to be seen. Ziraat Bank, the agricultural credit bank, has been provided with TL2.4 trillion (million million) (£290m) to finance payments by farm co-operatives. Few economists believe the co-operatives will ever be in a position to repay. The grain board confirmed that this year the central bank is to finance its purchasing programme, at a cost of between TL3 trillion and TL4 trillion.

The TMO's losses will be guaranteed by the Treasury, fuelling Turkey's public sector deficit. Ultimately of course, the exercise can only be sustained through the central bank printing money and jettisoning any hopes of containing the country's already dangerously high rate of inflation.

MacSharry plan could still face opposition

By **Our Agriculture Staff**

EUROPE'S farm ministers could still baulk at accepting the European Commission's plans to reform the EC's costly Common Agricultural Policy, a senior commission official said in London yesterday.

Mr David Roberts, director general of the commission's agriculture division, set out four reasons why the EC agriculture ministers might throw out the controversial reforms, centrepiece of the programme of Mr Ray MacSharry, the farm commissioner. The reforms aim to slash farm prices and penalise overproduction, at the same time compensating smaller farmers, in particular, through direct aid.

Mr Roberts told an Agra Europe conference on the reform of the Common Agricultural Policy that farm ministers could fall prey to the powerful farmers' lobbies which preferred support to be "hidden away in artificially high prices".

He noted that administering direct aid would "involve new controls and a redeployment of staff" and could well "enlarge the possible field of fraud". However, some existing fraud could disappear as the reforms were expected to reduce export subsidies.

Also, while the package should in the long term stabilise farm incomes and lower spending, "it does not offer an instant solution either to falling incomes or to rising expenditure". Costs would continue to rise, though not as quickly as at present, while farm incomes would continue to decline, though not as sharply as with present policies.

Finally, Mr Roberts referred to some member states' accusations that the proposals were not fair – although he also noted that neither the British nor the French government had produced any alternative plans whose detail could be properly evaluated.

Mr Roberts said however that the lack of viable alternatives was one among several "powerful reasons" for the MacSharry proposals being accepted.

All the farm ministers recognised the need for reform and the Commission's proposals would encourage "more low cost and hence more competitive agriculture", he said.

Mr David Nelson Smith, director of international grain company Cargill, disputed the commission's assessment of the impact of the reforms on the cereal sector, cornerstone of the MacSharry plan.

Compulsory set-aside for cereal land would cut production and, if yields increased – as he said they undoubtedly would – the commission could increase the set-aside requirement to bring production back in line.

But the proposals would "turn the EC away from agricultural efficiency", as the most efficient farmers would be penalised, average costs would rise and the EC's competitiveness in world markets would decline, he said.

The European Commission has passed an emergency measure to raise the suckler cow premium, because of overproduction in the beef market, Reuters reports from Brussels.

The new measure would mean small producers would be eligible for a premium totalling 85 Ecus a head instead of the current 65 Ecus.

"This is an exceptional measure in view of the difficulties in the sector," the spokesman said. If accepted by farm ministers, the premium will be payable for 1991 only, and will be retroactive.

At present, the premium is paid on 7.5m head of cattle in the EC to producers in disadvantaged areas.

Producers with quotas of less than 60,000 litres will be entitled to claim the premium for 10 head.

Russian harvest expected to fall by 26m tonnes

THE RUSSIAN Federation's grain harvest will be well below recent gloomy forecasts, the republic's central statistics office said yesterday, Reuter reports from Moscow.

With 93 per cent of grain now in from the fields, the statistics office said the harvest looked like dropping to 90m tonnes from last year's 116.7m. Russia normally produces over half the Soviet Union's needs.

Storage and distribution has always been a problem and farmers are holding back grain from the state, preferring to sell in private markets or barter for scarce consumer goods.

The independent news agency Interfax quoted the statistics office as saying the average grain yield this year was 161 kg a hectare. It said the potato crop was no worse than that of previous years, but gave no figures. Fodder for livestock farming was 12 per cent down on last year and in many areas would not last the winter.

MARKET REPORT

COPPER PRICES built on Tuesday's rally as sentiment was helped by the surge in aluminium values (see stroy above). Dealers said trading was mostly routine as the London Metal Exchange cash price gained £6.50 to close at £1,377 a tonne. The premium over the three months delivery position widened by £6 to £15 a tonne, partly reflecting a large open position in nearby options. Another factor was concern over lack of progress in labour contract talks at the Highland Valley mine in British Colombia, although production there was reported to be normal despite a weekend vote in favour of strike action in support contract demands. The strength of the aluminium market also aided a zinc price rally that saw the cash position regain $10.50 of Tuesday's $14.50 fall to reach $979.50 a tonne. Traders said that the market was due for a technical bounce after becoming oversold in the recent downtrend. But it was unlikely to stage a significant rally unless a major producer announced a sizeable cutback. At the London Futures and Options Exchange the cocoa market steadied after the sharp falls sustained earlier in the week. "Cocoa has been fairly steady, though it's difficult to say if the market has bottomed out," commented one dealer.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.95-9.00z	+0.30
Brent Blend (dated)	$22.75-2.80	+.125
Brent Blend (Nov)	$22.35-2.45	+.225
W.T.I. (1 pm est)	$23.65-3.75z	+.375
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$234-236	+1
Gas Oil	$222-224	-2.5
Heavy Fuel Oil	$83-85	+1
Naphtha	$217-221	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.275	-0.875
Silver (per troy oz)♣	410.5c	+2.5
Platinum (per troy oz)	$364.50	-2.4
Palladium (per troy oz)	$85.0	-0.4
Copper (US Producer)	109.65c	-0.83
Lead (US Producer)	38.08c	+0.66
Tin (Kuala Lumpur market)	14.85r	+0.04
Tin (New York)	258.0c	+1.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.13	-0.47*
Sheep (dead weight)†	107.07p	-2.88*
Pigs (live weight)†	73.73p	+0.64*
London daily sugar (raw)	$234.3j	+2.5
London daily sugar (white)	$268.5j	+1.0
Tate and Lyle export price	£246.5	+2.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£140.0	-0.5
Wheat (US Dark Northern)	£101	
Rubber (Nov)♥	54.75p	
Rubber (Dec)♥	54.25p	
Rubber (KL RSS No 1 Nov)	230.5m	
Coconut oil (Philippines)§	$660y	-5
Palm Oil (Malaysian)§	$342.5u	
Copra (Philippines)§	$362.5j	-12.5
Soyabeans (US)	£161	
Cotton "A" Index	67.80c	
Wooltops (64s Super)	335p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov x-Sep/Oct y-Nov/Dec z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	188.00		188.00
Mar	194.00	189.00	194.00 188.00
May	195.00	188.00	191.20 187.00
White	**Close**	**Previous**	**High/Low**
Dec	285.0	280.5	285.5 280.5
Mar	281.0	278.5	281.5 277.5
May	281.5	278.0	278.5 278.0
Aug	282.5	278.5	282.5 277.8
Oct	260.5	258.5	260.5 258.5
Dec	259.5	256.5	258.0 255.5
Mar	261.5		259.0 257.3

Turnover: Raw 780 (152) lots of 50 tonnes. White 1609 (1761)
Paris- White (FFr per tonne): Dec 1636, Mar 1638

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Nov	22.71	22.81	22.98 22.68
Dec	22.16	22.37	22.56 21.99
Jan	21.81	22.02	22.17 21.73
Feb	21.55	21.67	21.87 21.55
Mar	21.45	21.23	21.60 21.45
Apr	21.05	20.97	21.05
IPE Index	22.56	22.33	22.58

Turnover 37000 (42061)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Nov	220.00	221.75	225.50 219.50
Dec	220.50	221.25	225.50 219.75
Jan	217.25	217.50	221.50 217.00
Feb	209.00	209.75	213.75 209.00
Mar	200.00	201.50	205.75 200.00
Apr	193.25	193.50	197.50 196.25
May	186.00	186.75	186.00 186.00
Jun	182.00	181.50	187.75 181.50

Turnover 19990 (17083) lots of 100 tonnes

WOOL

Despite erratic and often weaker changes affecting finer merinos at Australian sales, the market has maintained firmness with some price increases among the more widely used merino categories. Grower price resistance to the almost unbroken decline since the selling season opened is indicated by withdrawals during or before auction, with preference for later offering when it is hoped the market may have improved. Wool consuming markets maintain the improvement of recent months but buying in the bear market is sluggish. The AWC market indicator reached 442 on Wednesday after a low of 434 last week.

WORLD COMMODITIES PRICES

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	759	756	761 750
Mar	796	795	799 790
May	820	817	822 815
Jul	843	840	842 836
Sep	865	862	863 860
Dec	890	887	887 885
Mar	915	912	913 909
May	932	932	931 930
Jul	952		950 947
Sep	972		969 968

Turnover: 4237 (12201) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 15 939.90 (961.90) 10 day average for Oct. 16 974.65 (975.38)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	525	516	528 515
Jan	550	538	552 534
Mar	567	555	567 553

Turnover:2609 (2861) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 16: Comp. daily 62.16 (62.93) 15 day average 62.50 (62.84)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	129.5	128.6	130.0 128.0

Turnover 118 (95) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	131.50	133.00	133.00 131.50

Turnover 69 (12) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Oct	1678	1679	1680 1666
Nov	1716		1730 1719
Dec	1699	1722	1711
Jan	1729	1739	1735 1720
Apr	1733	1740	1735 1720
Jan	1625	1650	1640
BFI	1621	1612	

Turnover 290 (167)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Nov	119.05	119.05	119.00 118.65
Jan	122.40	122.40	122.40 122.00
Mar	125.30	125.35	125.30 125.00
May	127.95	128.00	127.90 127.60
Jun	129.30		129.20
Barley	**Close**	**Previous**	**High/Low**
Nov	113.85	114.05	113.90 113.75
Jan	117.70	117.90	117.65
Mar	120.35	120.60	120.35

Turnover: Wheat 240 (415), Barley 63 (306).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	95.0	94.0	94.5 94.0
Jan	95.0		93.5
Feb	98.0	95.0	97.5
May	103.0		103.5 103.0
Jun	104.0		103.5 103.5

Turnover:68 (28) lots of 3,250 kg

HOGS – London FOX

	Close	Prev.	High	Low	Vol
Indx	132.94	131.39			
Dec	133.60	132.20	133.60		30

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,164 lots
Cash	1195-7	1113.5-4.5	1132/1131.5	1131-1.5		
3 months	1224-5	1142.5-3.0	1240/1150	1153.5-60	1238-9	32,823 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,640 lots
Cash	1376.5-7.5	1371-2	1380/1373	1380.5-1.0		
3 months	1360.5-1.5	1360-1	1365/1358	1362-3	1361.5-2.0	32,012 lots
Lead (£ per tonne)						Total daily turnover 1,699 lots
Cash	303.5-4.5	302-3	303.5/302.5	302.5-3.0		
3 months	315.5-6.5	314-4.5	318/314	314-4.5	316-6.5	3,729 lots
Nickel ($ per tonne)						Total daily turnover 4,467 lots
Cash	7420-30	7420-30	7410/7395	7390-5		
3 months	7495-500	7495-500	7525/7475	7470-5	7495-500	3,094 lots
Tin ($ per tonne)						Total daily turnover 2,146 lots
Cash	5590-600	5550-60	5600/5590	5600-5		
3 months	5660-5	5625-30	5665/5620	5655-60	5655-60	1,668 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,637 lots
Cash	979-80	968.5-9.5	977.5/976.5	976-6.5		
3 months	999-1000	989-90	1000/9990	996-7	1001-2	10,682 lots

LME Closing £/$ rate:
SPOT: 1.7109 3 months: 1.6906 6 months: 1.6720 9 months: 1.6554

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.10-357.45	
Opening	357.60-358.00	
Morning fix	356.40	208.665
Afternoon fix	356.55	208.509
Day's high	357.70-358.10	
Day's low	355.40-355.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.76	6 months	4.58
2 months	4.74	12 months	4.53
3 months	4.65		

Silver fix	p/fine oz	US cts equiv
Spot	237.25	405.25
3 months	243.45	410.65
6 months	249.40	415.95
12 months	261.15	427.15

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.50-357.50	208.50-209.50
Maple leaf	367.50-368.50	215.00-215.50
New Sovereign	87.00-88.00	51.00-51.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1150	96	132	11	21
1250	34	70	48	57
1350	8	32	121	116
Copper (Grade A)	**Calls**		**Puts**	
2200	131	125	14	49
2300	63	73	48	95
2400	24	39	105	158
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
450	67	100		
500	17	55		6
550		24	38	25
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	34	78	25	32
775	23	64	39	43
800	15	52	56	56
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2200	9		32	75
2250	48	54		87
2300	27	35	24	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	358.2	357.7	0	0
Nov	358.9	358.5	0	0
Dec	360.5	360.1	360.6	357.9
Feb	363.3	362.8	363.4	360.5
Apr	365.9	365.4	365.4	364.5
Jun	368.5	368.0	368.5	366.4
Aug	371.3	370.8	0	0
Oct	374.0	373.5	0	0
Dec	376.9	376.4	375.3	375.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	368.8	366.8	369.8	367.0
Nov	0	0	0	0
Dec	0	0	0	0
Jan	371.3	369.3	373.3	368.0
Apr	374.8	372.6	375.5	373.5
Jul	378.4	376.2	0	0
Oct	385.4	383.0	381.5	381.5
Jan	0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	409.8	405.1	410.0	407.5
Nov	410.8	406.3	0	0
Dec	412.7	408.2	413.5	406.5
Jan	414.8	410.1	0	0
Mar	419.1	414.6	420.0	413.5
May	423.3	418.8	424.0	418.0
Jul	427.4	422.9	0	0
Sep	431.7	427.2	0	0
Dec	438.1	433.7	440.0	433.0
Jan	440.6	436.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	106.10	105.60	106.75	106.00
Nov	105.45	105.00	106.00	105.30
Dec	104.65	104.10	105.50	104.25
Jan	103.55	103.05	0	0
Feb	102.90	102.40	0	0
Mar	102.25	101.80	102.90	102.00
Apr	101.80	101.35	0	0
May	101.25	100.80	101.10	101.10
Jun	100.90	100.45	0	0
Jul	100.45	100.05	100.60	100.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	23.58	23.88	24.00	23.42
Dec	23.35	23.58	23.71	23.21
Jan	23.10	23.27	23.41	23.00
Feb	22.82	22.97	23.09	22.76
Mar	22.54	22.67	22.73	22.48
Jun	21.82	21.94	21.99	21.81
Jul	21.61	21.78	21.82	21.61
Aug	21.46	21.64	21.65	21.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6845	6917	6960	6805
Dec	6950	7026	7050	6915
Feb	6780	6857	6860	6760
Mar	6450	6527	6545	6430
Apr	6130	6237	6205	6130
May	6005	6052	6005	6005
Jul	5780	5882	5870	5870
Aug	5900	5932	5900	5900

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1211	1181	1213	1183
Mar	1270	1242	1272	1245
May	1303	1276	1305	1281
Jul	1330	1302	1330	1319
Sep	1358	1329	1350	1347
Dec	1392	1363	1383	1381
Mar	1425	1397	1411	1408
May	1450	1422	0	0
Jul	1475	1447	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	82.50	79.90	82.75	79.25
Mar	86.45	83.75	86.50	83.25
May	88.65	86.10	88.65	85.85
Jul	90.50	88.65	90.50	88.70
Sep	93.00	91.60	93.00	91.50
Dec	98.00	95.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.82	8.66	8.87	8.70
May	8.71	8.59	8.75	8.62
Jul	8.70	8.55	8.70	8.58
Oct	8.68	8.52	8.69	8.62
Mar	8.56	8.50	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	63.85	63.65	64.20	63.62
Mar	65.85	65.59	66.20	65.60
May	66.50	66.30	66.95	66.35
Jul	67.25	66.95	67.50	67.10
Oct	65.95	65.90	66.00	65.95
Dec	65.97	65.80	66.00	65.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	160.75	162.00	162.00	159.40
Jan	149.60	141.60	149.60	149.60
Mar	150.70	142.70	150.70	150.70
May	150.95	142.95	0	0
Jul	150.95	142.95	0	0
Sep	150.95	142.85	0	0
Nov	150.95	142.85	0	0
Jan	150.95	142.95	150.95	150.95
Mar	150.95	142.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 16	Oct 15	mnth ago	yr ago
1620.3	1624.4	1641.0	1712.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 15	Oct 14	mnth ago	yr ago
Spot	113.54	114.01	117.68	125.49
Futures	122.41	122.82	122.71	128.58

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	562/0	548/6	562/4	545/4
Jan	583/2	559/0	563/4	557/0
Mar	574/2	570/6	574/6	568/4
May	584/4	580/4	584/6	578/4
Jul	592/2	588/4	592/4	586/0
Aug	593/6	590/6	594/4	588/4
Sep	585/0	583/0	585/0	582/4
Nov	589/0	588/6	589/4	584/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.30	19.49	19.46	19.29
Dec	19.55	19.76	19.73	19.54
Jan	19.74	19.93	19.89	19.71
Mar	20.07	20.25	20.21	20.05
May	20.37	20.53	20.56	20.37
Jul	20.66	20.82	20.85	20.65
Aug	20.81	20.96	20.95	20.81
Sep	20.96	21.05	21.15	20.96

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.2	179.8	182.5	178.7
Dec	180.0	177.2	180.3	176.2
Jan	179.3	176.7	179.4	175.8
Mar	177.8	175.4	178.0	174.5
May	176.3	174.3	177.0	173.6
Jul	176.1	174.5	177.0	173.8
Aug	176.0	174.7	177.2	174.2
Sep	176.0	174.6	176.5	174.6
Oct	188.0	187.5	189.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	246/0	246/2	247/4	245/0
Mar	255/4	255/6	256/4	256/4
May	261/6	262/2	263/2	261/0
Jul	266/2	267/0	267/6	265/4
Sep	259/0	260/2	261/0	259/0
Dec	258/4	258/0	257/6	256/2
Mar	264/0	265/2	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	349/4	346/2	351/6	346/4
Mar	351/6	348/2	353/4	347/4
May	343/6	341/2	344/6	340/4
Jul	329/2	327/2	331/0	326/0
Sep	334/4	331/4	336/2	331/0
Dec	344/4	342/4	345/0	342/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.92	73.20	73.96	73.47
Dec	76.65	76.02	76.87	76.27
Feb	75.82	75.22	75.86	75.40
Apr	75.72	75.40	75.80	75.55
Jun	72.55	72.30	72.75	72.42
Aug	70.50	70.40	70.87	70.60
Oct	71.02	70.85	71.80	71.02

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	44.80	44.37	44.80	44.22
Dec	44.15	43.87	44.27	43.72
Feb	43.35	43.17	43.60	43.22
Apr	41.77	41.60	41.97	41.60
Jun	46.27	46.22	46.40	46.05
Jul	46.37	46.32	46.45	46.25
Aug	44.97	44.97	44.97	44.80
Oct	41.35	41.35	41.35	41.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.87	43.80	44.85	44.05
Mar	44.20	43.45	44.25	43.80
May	45.12	44.37	45.25	44.65
Jul	45.32	44.70	46.47	44.80
Aug	42.75	42.05	42.85	[illegible]

LONDON STOCK EXCHANGE

Cautious mood prevails in equities

By Terry Byland, UK Stock Market Editor

DOMESTIC market factors dominated London yesterday, helping to mask another unimpressive response to the strength of Wall Street overnight. Excitement over the awards of domestic television company franchises brought substantial price changes among the TV companies involved. But, since most of these were non-Footsie stocks, the overall direction of the market was not greatly affected.

After showing a gain of 6.4 in early trading, the FT-SE Index slipped back to close a mere 2.3 ahead on the day at 2,579.0. Equities were unsettled by the announcement of a Public Sector Borrowing requirement of £2.9bn in September, well above City expectations and reviving worries over the potential effects of increased government spending.

Account Dealing Dates		
First Dealings:		
Sep 30	Oct 14	Oct 28
Option Declarations:		
Oct 10	Oct 24	Nov 7
Last Dealings:		
Oct 11	Oct 25	Nov 8
Account Day:		
Oct 21	Nov 4	Nov 18

*New-time dealings may take place from 8.30 am two business days earlier.

The announcements of the new commercial television franchises, at 10.00am in London yesterday, occupied the market's attention throughout the first half of the session. There was heavy turnover in Granada which held on to its existing franchise and also in Carlton Communications, whose subsidiary won the London weekday franchise.

However, substantial gains in share prices for other television franchise companies largely belied the turnover in these second line issues. At the end of the session, Seaq-reported volume stood at 482.3m shares compared with 534.3m on the previous day; volume in the non-Footsie listed stocks, incorporating the television stocks, was little changed at 315.2m shares.

Once again, strategists commented on London's unwillingness to respond to Wall Street's overnight upturn, which took it to within striking distance of the all-time high on the Dow Jones Industrial Average.

Brushing aside the television sector excitement, UK equities opened steadily yesterday and showed little further development throughout the session. The closing Index was dragged back by a setback in the chemical sector, where ICI weakened after reports that Deutsche Bank had downgraded chemical shares.

Strength in oil shares, again benefiting from firmness in crude oil prices and overnight support from Wall Street, provided a further boost for the Footsie Index, if not for the rest of the blue chip sector.

Eurotunnel units gave ground on the disclosure of a serious disagreement over costs, which appears likely to delay the opening of the Tunnel. Construction stocks were generally easier.

Equity strategists continued to sound a note of caution which was not based solely on the coincidence of stormy weather in Europe as the dreaded anniversary of the Crash of October 1987 drew near.

Today brings important data on the UK economy, including statistics on wage rates and average earnings. The strategy team at Kleinwort Benson Securities commented that while fund managers appear reasonably sanguine about equity prospects, they appear reluctant "just now" to be strong buyers.

For the present, the London market appears to have returned its attention to domestic, and specifically political, factors. While the latest rumours regarding pending opinion polls have proved unreliable, there is no doubt that the market remains vulnerable to developments at Westminster.

FINANCIAL TIMES STOCK INDICES

	Oct 16	Oct 15	Oct 14	Oct 11	Oct 10	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.64	86.72	86.70	86.70	86.58	79.43	87.94 (15/8)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.67	96.47	96.48	96.47	96.55	86.87	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1980.5	1973.5	1973.6	1953.9	1956.4	1618.1	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	163.9	168.5	167.5	168.6	167.1	168.8	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2579.0	2576.7	2574.5	2555.0	2570.8	2082.6	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1158.25	1158.72	1153.67	1149.55	1150.98	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)

GILT EDGED ACTIVITY

Indices	Oct 15	Oct 14
Gilt Edged Bargains	76.7	76.2
5-Day average	89.6	92.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Heavy trade in Ultramar

TAKEOVER speculation intensified in Ultramar and the shares advanced strongly in exceptionally heavy trading to finish 18 ahead at 277p. Turnover of 13m shares was the highest for a single session since June 17, 1989, when Premier Consolidated sold a 2 per cent stake (7.3m shares) into the market.

Rumours of a bid have been circulating for a week, with BP, British Gas, Lasmo, Elf and BHP all mentioned as potential buyers. Yesterday's suggestion was that an offer of 325p a share would be tabled this morning. Heavy activity in Ultramar traded options gave added impetus to speculation.

In spite of scepticism about the bid stories – one specialist said "Ultramar has been a so-called bid target for years but nothing has happened yet" – dealers considered it feasible that a stake was being accumulated. Analysts return today from a visit to Ultramar's Californian operations.

ICI upset

ICI weakened late in the session as analysts at Deutsche Bank downgraded the German chemicals sector following poor third-quarter corporate performances. Deutsche said the German chemical giant BASF might even have to cut its dividend.

Mr John Dorée at Hoare Govett said weakness in ICI and other UK chemicals giants was largely sentiment. "The falls may be a bit of an overreaction," he added.

ICI declined 13 to 1283p, while BOC eased 4 to 583p. Courtaulds slipped 3 to 484p in light trading.

TV stocks active

Granada led most of the television contracting sector higher in heavy trading after the winners of independent television franchises were announced. Turnover in Granada was also helped by news that the company was reorganising its computer services operation. Volume swelled to 8.7m, the third highest in four years.

Mr Roy Owens at Smith New Court said: "Granada has still got further to rise. The franchise is only part of the story." He added that the City was increasingly well-disposed towards the BSkyB satellite business – of the UK stakeholders in the operation, Granada is most highly geared to its success. In addition, the £15m cost of the reorganisation of its computer services would be recouped in a year.

Others to show gains after retaining their franchises were LWT preference shares, 53 higher at 198p. Scottish, one of the best performers in the entire stock market this year, added 15 at 645p; the company's successful franchise bid turned out to have been lower than expected.

Anglia ran into profit-taking in spite of keeping its franchise. It fell 33 to 198p. Yorkshire lost ground on its higher than expected £38m bid. The shares dropped 22 to 180p, a three-year low. Central's low bid was confirmed and the shares climbed 43 to 1083p, another new high.

Thames will make a profit in spite of losing its franchise, according to County NatWest. The shares climbed sharply ahead of the 10.00am announcement of franchise winners – "pure gambling" was the comment of one marketmaker. After peaking at around 220p, the stock retreated to close 7 up at 203p. Thorn EMI, with 58.9 per cent of Thames, rose 12 to 789p.

Television service and production companies also improved. Trilion gained 4 to 15p and Sunset and Vine 10 to 160p, while SelecTV firmed 1¼ to 24½p, making a three-day rise of 6½p.

Eurotunnel plummeted 51 to 408p in early trading on news that the company is taking legal action against its builders, TML. Then, French buying was reported and the shares rallied to end 17 off at 442p on heavy turnover of 3m. In Paris, where the shares are also quoted, turnover was heavy. There was a belief that S.G. Warburg, where Eurotunnel yesterday held a presentation, had Eurotunnel shares on its books.

Further gains in crude oil prices underpinned the oil sector. Brent crude closed just off $23 a barrel and there were bullish views on the outlook for oil prices this winter.

Mr Geoff Pyne at UBS Phillips & Drew said: "A disruption of 1m barrels a day to the oil supply balance could push prices over $30 a barrel in coming months." However, he stuck to his forecast of $23 a barrel for the fourth quarter. Mr Pyne said UBS remained a buyer of the sector, "particularly BP, which is undervalued". BP rose 5 to 352p.

Lately beleaguered British Gas were steadier and closed unchanged at 257p, helped by Prudential Corporation, which pushed its stake to 3.06 per cent, or 130.74m shares.

Lasmo, unaltered at 315p, underperformed the sector on perceptions that the group could well be favourite to bid for Ultramar.

More UK independent broking houses took a cautious line on BT ahead of the November sale of around half of the government's remaining 48 per cent stake. BT lost 7 to 392p, having been sold down to 390p at one point. Turnover was a good 8.3m shares.

Robert Fleming Securities is said to be about to publish a bearish note on BT, which will challenge Sir Bryan Carsberg of Oftel, the telecoms industry watchdog, to issue a statement on the regulatory risks facing BT ahead of the offer.

A profits upgrade by Henderson Crosthwaite helped GEC move up 2 to 195p. Henderson increased its current-year forecast by £20m to £870m and that for next year from £925m to £950m, adding that GEC will be one of the few electronics/engineering groups to show improved profits this year.

There were some large lines of water shares on offer. A block of 1.5m Yorkshire Water was sold into the market at 377½p a share, a 5½p discount to the market price. Yorkshire closed 2 easier at 383p.

Wessex Water advanced 8 to 416p after Wessex Waste Management, the joint venture between Wessex and Waste Management, of the US, arranged to pay £105m to buy Wimpey's waste disposal subsidiary.

The news gave a boost to Wimpey shares, hit badly recently by the problems at Eurotunnel. Mr Peter Jensen at Fleming said the deal was "good news for Wimpey; the price was better than expected and leaves Wimpey with its debt coming down and a secure yield of around 9 per cent. Wimpey put on 4 to 160p.

The prospect of channel tunnel-inspired provisions hit Tarmac, 3 off at 171p, Costain, 8 lower at 64p after a five-year low of 60p, and Taylor Woodrow, 10 cheaper at 158p.

Asda rallied 5 to 50p after announcing that Mr Archie Norman, Kingfisher's finance director, had been appointed chief executive. The possibility of Mr Norman joining Asda had been discussed in the market for months. He is said to be highly regarded by institutional investors and his appointment is expected to help Asda succeed with its £357m rights issue.

Hillsdown, the other food company trying to raise cash from shareholders, improved 2½ to 212p, moving above the 210p rights price. There is less certainty about the success of the Hillsdown issue; market specialists were suggesting that around 30 per cent could be left with the underwriters.

A raised bid by Grampian Holdings for Macarthy was followed by a rejection from the latter. The company said benefits from either of the alternative bids, from Lloyds Chemists (up 15 to 300p) and Unichem (off a penny at 186p), would be "significantly higher". Grampian dipped 2 to 195p in spite of increased interim profits, while Macarthy was up 11 at one stage before settling just 3 ahead at 272p.

Pilkington put on 3 to 154p. Robert Fleming Securities improved its recommendation from a hold to a buy.

USM-quoted Penna, the employment counselling group which changed its name from Sanders & Sidney in June, slumped 150 to 105p after warning yesterday that profits for the six months to September 30 would be sharply down.

BAA recovered 7 to 443p following recent downgradings, although a sizeable part of the business was reported to be between marketmakers.

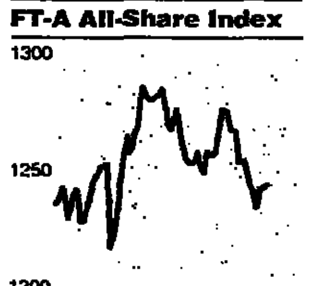
Favourable sentiment following Wimpey's sale of its waste management subsidiary helped GKN, which has a similar business. The shares rose 9 to 352p. Overseas support helped British Aerospace to firm 2 to 379p, while the nil-paid were unchanged at 4p.

British Steel rallied from Tuesday's fall, firming 2 to 118½p, with S.G. Warburg reported to have shown a keen interest.

MARKET REPORTERS: Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

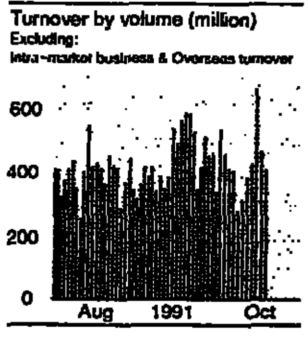
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 27.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (67).
BRITISH FUNDS (1) Treas. 2pc I-L 1996, AMERICANS (4) Bankers NY, Colgate-Palmolive, Merrill Lynch, Morgan (JP), BANKS (1) Nat. Aust. Bank, BUILDINGS (1) Manders, STORES (16) Ashley (Laura), Brown (N), Etam, Fine Art Devs., Forminster, Great Universal, Hogg Robinson, Lloyds Chemists, Next, Sherwood Group, ELECTRICALS (3) Dale, Life Sciences, Misys, ENGINEERING (3) Prospect Inds., Wagon Inds., Wheesoe, FOODS (2) Northern Foods, Sims Food, INDUSTRIALS (13) Airsprung Furniture, CRT, Cape, Halma, Hays, MITIE, Mitsubishi, RCO, Scott Pickford, Seton Healthcare, Silentnight, UDO, Vinten, INSURANCE (2) Amer. Gen, Berry Birch & Noble, LEISURE (7) Border TV, Campari, Central ITV, Grampian TV A, LWT 3.9375p Pfd., Scottish TV, SelecTV, MOTORS (2) Evans Halshaw, Lex Service, NEWSPAPERS (1) News Intl. Spec. Div., PAPERS (2) Gold Greenlees Trott, Shandwick, TEXTILES (2) Leeds, Toray, TRANSPORT (3) CSX, Mayne Nickless, Mersey Docks, TRUSTS (6) Aberforth Smaller Warrants, Aberforth Split Level Inc., Biotech Pf., Murray Split Cap. Inc., Do. Units, World Tst. Fd., OILS (1) Ranger Oil, MINES (3) Antofagasta, Doral, Metana Mnls.
NEW LOWS (42)
AMERICANS (1) Allegheny & West., BUILDINGS (7) Costain, Higgs & Hill, Jarvis, RMC, Steetley, Taylor Woodrow, Wimpey (G), ENGINEERING (3) Beaufort, Ferrum, WB Inds., FOODS (1) Ashley Grp., INDUSTRIALS (7) Barta, Bioplan, High-Point, Penna, Shanks & McEwan, Tems (John), Willaire Pf., INSURANCE (1) Royal Insce., LEISURE (7) Cityvision, Classic Th'breds., TSW, TVS Ent., TV-am, Thames TV, Yorkshire TV, PROPERTY (1) Bradero Props., TEXTILES (1) Cupid, TRANSPORT (1) Eurotunnel Warrants, TRUSTS (4) Helnia, JF Indonesia Fd., Sphere Warrants, Stratagem, OILS (5) Aberdeen Pet., Aminex, Crossroads Oil, Midland & Scot. Res., Presidio A. MINES (3) Celtic Gold, Vizcaya, Young.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

SPECULATION on whether Ultramar might soon be a bid target dominated the traded options market yesterday, writes Peter John.

Dealers in Ultramar were on "bid alert", according to one specialist. "The day before Hawker Siddeley and Plessey were bid for the market went crazy and it's done it again."

Ultramar was by far the busiest stock option with just over 5,000 lots dealt. Much of the action was in the out-of the money October calls which only have five more trading days to run. Dealers were paying expensive premiums for the calls - the right, but not the obligation, to buy shares - which must be exercised on Wednesday. The trades are seen as pure bid speculation.

There was also scepticism and a number of marketmakers took advantage of the expensive option premium to by buy the underlying stock and sell the options.

Turnover in LTOM of 35,160, contracts was furher boosted by heavy volume in Asda on the back of the appointment of a new chief executive.

On LIFFE, the December Footsie future contract increased its premium to the underlying index. It closed at 2623, a premium of 45 against its estimated fair value premium of between 34.5 and 36.

APPOINTMENTS

Managing director at Empire Stores

■ Mr Jean-Baptiste Tefra has become managing director of EMPIRE STORES GROUP. He succeeds Mr Michael Harris, who remains a director of the company and will undertake a consultancy role.

Mr Tefra, aged 45, is a senior executive with SA Redoute Catalogue and was formerly managing director of Quelle, another mail order company in France. He is an engineering graduate of the Ecole Centrale de Paris, and is married to a professor of economics at the University of Paris.

■ Mr Peter Cullum will assume the position of managing director at ECONOMIC INSURANCE COMPANY on November 1.

He has more than 20 years experience in commercial and personal insurances and joins Economic from London & Edinburgh Insurance (previously Excess Insurance Group), where he was director, marketing & sales of the commercial lines division.

■ Mr Nicholas Caiger-Smith has joined ECC GROUP as group strategic planning manager, working on group strategy and acquisitions.

He previously served as an assistant director at J. Henry Schroder Wagg & Co, where he was a corporate finance adviser to ECC and earlier was engaged on the Schroder group's own strategy during Big Bang.

■ J. ROTHSCHILD ASSURANCE has appointed Mr Dennis Stevenson as a director of the board. He is chairman of SRU Group of Companies.

Mr Stevenson is also a non-executive director of Pearson (parent of the Financial Times), Manpower Inc and Thames Television, and chairman of the trustees of The Tate Gallery.

■ PEEK, the international traffic and field data systems company, has appointed Mr Mark Moran *(pictured)* as group controller. He was formerly with MB Caradon as financial controller of the building products division.

Senior positions at Lloyds Bank

■ The following senior appointments have been made within the UK retail banking area at LLOYDS BANK:

Mr Michael Riding becomes general manager, commercial service, responsible for the bank's business in the commercial middle market in the UK. He was general manager in charge of money transmission and bank relations.

Mr Gerald Hawkins assumes the role of general manager, payment services, responsible for all payment services within UK retail banking including card services. He was assistant general manager, card services.

Mr Peter Bareau will move to general manager, personnel, when Mr Chris Bruce-Jones relinquishes the post on his retirement next January. Currently, Mr Bareau is general manager, organisation development, UK retail banking.

■ CHARTERHOUSE TILNEY, stockbroking arm of Charterhouse plc, has appointed an experienced institutional sales and research team specialising in textiles and northern industrial companies.

Mr Darren Winter will be an assistant director and spearhead the sales effort. Research will be undertaken by Mr Peter Dzedzora and Mr Mark Puleikis. All three were previously with BWD Rensburg and are joining Charterhouse on October 21, to be based at the Liverpool office.

■ Mr Nicholas Cobbold has been appointed managing director and chairman elect of KNIGHT WENDLING EXECUTIVE SEARCH, the UK subsidiary of Knight Wendling Group. He will assume the chairmanship officially on January 1.

Mr Cobbold has been a member of the Stock Exchange, a partner with Panmure Gordon, and most recently chairman of Stephenson Cobbold.

■ Mr Frederick Arnold has joined SMITH BARNEY, HARRIS UPHAM & CO as a managing director and head of European corporate finance. He will be based in London.

Mr Arnold's investment banking experience in the US and in Europe includes nine years at Lehman Brothers in New York and London.

■ Sir Alan Donald, formerly British Ambassador to China, has become a director of FLEMING FAR EASTERN INVESTMENT TRUST.

■ At TUDOR WEBASTO, the car sunroof manufacturing group, Mr David Mortiboys is promoted from engineering manager to engineering director. Mr Ross Dugmore, commercial manager, moves up to commercial director, and Mr Martin Davis, quality manager, becomes quality and reliability director.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

PUBLIC WORKS LOAN BOARD RATES

Effective October 16

OMAN

The Financial Times proposes to publish this survey on November 20th 1991.

FT SURVEYS

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial Vehicles

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Components

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Garages and Distributors

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCOS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRANSPORT

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
152	59½	Do Warrants	125	...	–	–	–	–
504	334	Scottish Asian Prg. 1c	454	+1	–	–	–	–
1313	840	Siam Fd. Red. Prf	984	.....	–	–	–	–
518	303	Singapore SESDAQ 1c	366	+15	–	–	–	–
56	33	Singer & Friedlander	45	...	2.5	1.7	7.4	10.4
145	95	Smith New Court	128	...	3.5	1.2	3.9	26.9
87	61	Do. Cnv Prf 50p	76		6.5	–	11.4	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WATER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLANTATIONS

Rubbers, Palm Oil

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Teas

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES

Central Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Eastern Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Far West Rand

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

O.F.S.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Diamond and Platinum

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Central African

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
53	24	ACM 50c	50	–1	‡Q3c	♦	2.5
27	13	ACM Gold	18½	+½	Q5c	♦	13.9
3	3	Arboyne 50c	3	–	–	–	–
36½	20	Aztec Expln	32	+1	Z01c	–	1.5
49	25	Bougainville 1 Kina	29	.....	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Miscellaneous

For Amlnco see Oil & GAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	2½	Vizcaya Hldgs 5p	2½	.....	–	–	–
152	76	Wstrn & Pac Res	78	.....	–	–	–
133	115	Young Group 10p	115	–1	5.2	1.8	6.0

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ## Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock		Price	+ or –
Craig & Rose £1	β	698	.....
Finlay Pkg. 5p	β	28d	.....
Holt (Jos) 25p	β	1985	.....
Helton Hldgs	γ	43	+6
IRG		125	.....
United Drug		165	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 2010	£95¼	+¼
9pc Cap Ln. 1996	£98¾	–¼
Fin. 13% 97/02	£114	.....
Arnotts	198	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	28
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	35
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	56
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	25
Rank Org Ord	55
Ratners	12
Reed Intl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Stock	p
Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Stock	p
Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	28

Mines

Stock	p
Lonrho	20
RTZ	46

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int F	6	116.0	116.0xd	123.0	.....	8.35
High Inc Equity F	6	132.8	136.3	144.9	-0.6	5.87
Worldwide Bond F	6	215.9	215.9xd	229.0	+0.1	6.55
Capital Growth						
American Growth F	6	206.5	206.5	220.8	+2.0	1.01
Asian Pacific F	6	118.6	121.0	128.7	-0.4	1.22
Assets & Earnings F	6	182.9	186.7	198.6	-0.4	3.02
Capital Reserve Acc F	0	109.66	109.66	109.67	—	6.92
Capital Reserve Inc F	0	86.68	86.68	86.68	—	6.92
Comdty & Energy F	6	74.77	74.77xd	79.96	-0.14	1.70
1992 Enterprise F	6	65.51	65.51	70.06	+0.01	2.94
Euro Capital Acc F	6	86.61	86.61	92.63	+0.39	1.12
Euro Capital Inc F	6	82.75	82.75	88.50	+0.32	1.13
General F	6	174.9	174.9xd	187.0	-0.3	2.67
Japan F	6	104.4	105.6xd	112.3		
Mastertrust F	6	91.87	91.87	98.25	-0.01	2.61
UK Growth Acc F	6	174.6	174.6	186.7	+0.3	2.14
UK Growth Dist F	6	111.0	111.0	118.7	+0.2	2.17
US Emerging Cos F	6	73.75	75.19xd	79.98	+1.43	—
Income & Growth F	6	306.8	306.8	328.1	-0.7	4.27
Ethical F	6	53.92	53.92	57.66	-0.09	2.71
International F	6	63.23	64.10	68.19	+0.11	1.29
Dividend & Growth F	6	49.70	50.91	54.15	-0.23	5.54
Global Gwth & Sec F	6	52.73	53.00	56.38	-0.05	3.09
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1122.0	1122.0	1176.0		0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	31.13	31.13xd	33.00	+0.34	2.41
Cash	—	50.48	50.48xd	50.48	-0.01	9.87
European	5¼	68.65	68.65	72.81	+0.30	0.31
European Income	5¼	71.52	71.89	75.85	+0.29	1.62
Exempt	1	796.3	796.3xd	822.8	-1.3	4.96

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bishopsgate Progressive Mgmt Co (1200)F						
15 St James' Place, London SW1A 1NW 071-493 8111						
Progressive Inc	5	18.46	18.46	19.48	...	0.76
Progressive Acc	5	27.82	27.82	29.36	...	0.76
International Inc	5	19.58	19.58	20.66	+0.05	0.53
International Acc	5	26.57	26.57	28.04	+0.07	0.53
Can & Foreign Inc	5	227.7	227.7	240.3	—	0.50
Can & Foreign Acc	5	272.1	272.1	287.2	—	0.50
Special Sits Inc	5	205.7	205.7	217.1	...	0.27
Special Sits Acc	5	223.4	223.4	235.8	—	0.27
PEP Inc	5	134.4	137.8	145.4	—	2.26
PEP Acc	5	143.5	147.1	155.3	—	2.26
Growth Inc	5	79.84	79.84xd	84.26	—	0.62
Growth Acc	5	80.65	80.65	85.12	....	0.62
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 071-236 6441						
Dolphin Special Sits	5½	124.2	124.2	132.8	+0.1	3.32
Dolphin Dividend	5½	58.83	58.83	62.91	-0.37	6.05
Dolphin Int Inc & Gth	5½	156.5	156.5	167.3	-0.1	4.24
Dolphin UK & Gen	5½	34.53	34.67	37.07	-0.13	3.10
Dolphin Fund of Funds	5½	47.87	50.01	53.48	+0.36	1.20
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	78.66	78.66xd	84.12	-0.32	2.71
Do (Accum)	6	84.40	84.40	90.27	-0.34	2.71
Service Cos	6	69.28	69.28	74.09	+0.23	1.98
Do (Accum)	6	72.88	72.88	77.95	+0.25	1.98
Income Growth	6	43.10	43.10	46.10	+0.13	5.59
Do (Accum)	6	60.69	60.69	64.90	+0.18	5.59
Higher Yield	6	32.64	32.64xd	34.91	-0.14	4.90
Do (Accum)	6	41.82	41.82	44.72	-0.17	4.90
American Gth Inc	6	34.12	34.12	36.50	+0.76	1.08
Do (Accum)	6	34.77	34.77	37.19	+0.78	1.08
European Growth	6	24.55	24.55xd	26.25	+0.03	1.40
Do (Accum)	6	25.38	25.38	27.14	+0.03	1.40
Global Bond Inc	6	23.18	23.25	24.87	+0.07	6.03
Do (Accum)	6	26.79	26.87	28.74	+0.08	6.03
Managed P'folio Inc	6	25.72	25.81xd	27.60	+0.10	—
(Do Accum)	6	25.72	25.81	27.60	+0.10	—
Brown Shipley & Co Ltd (1000)F						
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5						
Mngd P'folio Inc	6	81.93	81.93	87.36	+0.32	2.38
Mngd P'folio Acc	6	151.2	151.2	162.0	+0.60	—
UK General	6	118.4	118.4xd	126.1	-0.20	4.02
Conv & General	6	17.38	17.38xd	18.51	-0.10	10.28
European Inc	6	20.45	20.45xd	22.01	-0.13	0.51

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Oct 3	496.04	500.54xl	..	2.82
Gross Oct 3	190.05	191.98	..	10.18
High Yield Oct 3	300.19	302.61		7.27

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	52.99	54.11xl	+0.22	3.67

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'folio	1219.0	1309.0		-
Mngd Pens (Acc).	70.5	75.1		-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2,440.0	2,680.0	+5.00	6.00
Int Gilt Pep Apr 16	£1,325.0	1,460.0	..	7.20

Lazard Investors Ltd ¤

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Cos Oct 17	£3942.3	4122.2	+18.30	3.96
European Oct 17	£537.1	542.8	+0.90	2.09
American Oct 17	£361.7	365.4	+4.20	2.22
Japan Oct 17	£528.1	534	-3.70	1.22
Pacific Oct 17	£138.7	142.3	-0.60	1.95
W Midlands Sep 30	£247.65	164.90		2.48

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sep 30	193.05	196.90	....	7.81
Equity Sep 30	893.70	905.20		3.99

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond Oct 15		105.71		10.39
(Accum Units)		595.95	+0.1	10.39
RAACIF Oct 15		43.06	-0.2	9.2

Morgan Grenfell Unit Trust Managers Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Oct 15	127.3	136.3	..	3.76
UK Small Co † Oct 15.	547.7	596.0	..	3.37

INSURANCES

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Life Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int. Dep Acc	322.7	339.7	+0.1	-
Equity Acc	1038.3	1093.0	+0.8	-
Property Acc	487.4	513.1	-0.1	-
Far East Acc.	204.7	215.5	-0.7	-
European Acc	25.3	26.7	+0.1	-
Managed Cap.	432.6	455.4	+0.4	-
Managed Acc	809.1	851.7	+0.7	-
O'seas Earnings Acc	723.2	761.3	+1.9	-
Gilt Edged Acc	369.8	389.3	-0.2	-
American Equity Acc	562.7	592.4	+4.5	-
American Man Acc	250.5	263.7	+1.7	-
American Prop Acc	127.3	134.0	+0.1	-
High Income Acc	23.9	25.2	+0.1	-
Cost 4				
Fixed Int Dep Acc	26.8	28.3		-
Equity Acc	27.2	28.7	....	-
Property Acc	23.3	24.0		-
Far East Acc	23.8	25.1	-0.1	-
European Acc	21.3	22.5		-
Managed Acc	27.1	28.6	+0.1	-
Overseas Acc.	28.0	29.5	+0.1	-
Gilt Acc.	28.7	30.3		-
Am Equity Acc	27.8	29.3	+0.2	-
Am Managed Acc	27.1	28.6	+0.2	-
Am Property Acc	22.0	23.2		-
High Income Acc	23.9	25.2	+0.1	-
High Income Ser 2	23.9	25.2	+0.1	-
Pension Funds				
F.I. Dep Cap	356.4	375.2		-
F.I. Dep Acc	662.8	697.7	+0.2	-
Prop Cap.	507.9	534.7		-
Prop. Acc.	1044.7	1099.7	+0.1	-
Man Cap	900.9	948.4	+0.9	-
Man Acc	1853.0	1950.6	+1.9	-
Gilt Edged Cap	362.1	381.2	-0.1	-
Gilt Edg Acc	607.4	639.4		-
Eq. Cap	1477.0	1554.8	+2.0	-
Eq. Acc	2300.8	2421.9	+2.8	-
Am. Eq Cap	192.6	202.8	+2.5	-

Guardian Royal Exchange

Royal Exchange, EC3 071-283 7101

Guardian Assurance

	Bid Price	Offer Price	+ or -	Yield Gross
Property Bonds	668.6	696.4		-
Dream Wth-Pfts Lg-tm	133.5	137.4		-
Chosen Wth-Pfts St-tm	122.7	129.2		-
Chaitas Managed	158.3	163.5	-0.5	-
Chosen Equity	158.0	166.3	-0.5	-
Freedom Wth Pfts Lng-Tm	106.5	112.1	-	-
Freedom Wth Pfts Shrt-Tm	105.7	111.2	....	-
Freedom Managed	94.2	99.2	-0.3	-
Freedom Equity	91.6	96.4	-0.2	1.69

Legal & General – Contd.

Unit Pensions

Kingswood, Surrey, KT20 6TH 0737 370370

	Bid Price	Offer Price	+ or -	Yield Gross
Ex. Bldg. Soc. Lnkd	158.4	166.8	+0.2	-
Do Accum	200.1	210.7	+0.1	-
Exempt Cash Init.	281.9	296.8	+0.1	-
Do. Accum	449.0	472.7	+0.2	-
Exempt Eqty Init	876.8	923.0	+1.2	-
Do. Accum	1396.6	1470.2	+1.9	-
Exempt Euro Init.	155.8	164.0	+0.7	-
Do Accum	190.8	200.9	+0.9	-
Exempt Far East'n Init.	215.7	227.1	-0.6	-

Manulife Group – Contd.

Pension Fund Prices

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Init.		329.9	.....	-
Do. Accum.		488.9	.....	-
Property Init.		316.8	.	-
Do Accum		470.4	.	-
Equity Init.		406.0	..	-
Do. Accum		602.9	.	-
Gilt-Edged Init.		263.9	..	-
Do. Accum.		405.6	...	-
Guaranteed Init.		209.0	.	-
Do Accum.		313.4	..	-

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	108.3	114.0	---	-
Pension Managed Fd.	106.5	112.1	---	-
Life Deposit Fd.	110.0	115.8	---	-
Pension Deposit Fd.	116.4	122.5	---	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	168.6	177.5	---	-
UK Equity	179.1	188.6	-1.3	-
Overseas Equity	134.7	141.8	+2.5	-
Fixed Interest	154.1	162.3	-0.8	-
Property	134.2	141.3	-0.7	-
Index Linked	152.0	160.1	+0.6	-
Deposit	162.6	171.2	+0.3	-
With Profits (B)	133.0	140.1	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	359.0	377.9	+0.6	-
UK Equity	453.3	477.2	+0.7	-
Overseas Eq.	347.0	365.3	+0.1	-
American	293.9	309.4	+3.0	-
Far East	382.2	402.4	-0.9	-
Property	194.2	204.5	+0.4	-
Fixed Int.	270.4	284.7	+0.5	-
Indexed Gilt	161.6	170.2	-0.1	-
Deposit	186.4	196.3	---	-
With Profit	103.9	109.3	---	-
Pension Fund (Accum Units)				
Managed	516.9	544.2	+1.5	-
UK Equity	613.3	645.6	+1.3	-
Overseas Eq	586.4	617.3	+2.8	-
Americas	371.8	391.4	+4.8	-
Far East	621.5	654.3	-1.2	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	228.8	241.4	+0.7	-
UK Fixed Int Acc.	185.9	196.2	---	-
Intl Equities Acc.	175.6	185.3	+0.6	-
UK Managed Acc.	176.1	185.7	+0.3	-
Property Acc.	226.5	239.0	---	-
Money Acc.	132.6	139.9	---	-
Special Market Acc.	152.7	161.1	+0.3	-
Japan Equity Acc.	105.8	111.7	+0.1	-
North American Acc.	105.5	111.3	+1.5	-
Pacific Acc.	95.1	100.4	+0.2	-
Technology Acc.	126.0	133.0	+1.4	-
Nat Resources Acc.	55.3	58.4	-0.1	-
European Acc.	100.2	105.7	+0.7	-
Residential Prop Acc.	94.6	99.8	---	-
Swiss Equities Acc.	33.4	35.3	+0.2	-
Hong Kong Acc.	68.6	72.4	---	-
UK High Inc Eq Acc.	74.5	78.6	+0.2	-
Int Fixed Interest Acc.	60.4	63.8	+0.1	-
Int Managed Acc.	56.8	59.9	+0.2	-
HIP Managed Acc.	117.9	124.3	-0.1	-
HIP Managed II Acc.	103.9	109.5	+0.5	-
HIP Managed III Acc.	110.9	116.9	+0.3	-
Total Investment Bond				
UK Equity Initial		155.2	+0.3	-
UK Fixed Int Initial		126.5	+0.1	-
Intl Equities Initial		118.5	+0.3	-
UK Managed Initial		119.7	+0.2	-
Property Initial		155.0	-0.1	-
Money Initial		90.6	---	-
Special Market Initial		118.4	+0.2	-
Japan Equity Initial		82.0	---	-
North American Initial		81.8	+1.2	-
Pacific Initial		73.7	+0.1	-
Technology Initial		97.6	+1.0	-
Nat Resources Initial		42.9	-0.1	-
European Initial		89.6	+0.5	-
Residential Prop Init.		90.2	---	-
Swiss Equities Initial		31.9	+0.2	-
Hong Kong Initial		65.5	+0.1	-
UK High Inc Eq Init.		71.1	+0.3	-
Int Fixed Interest Init.		58.3		-

Skandia Life Assurance Co Ltd—Contd.

Unit Trust Life Managed Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Abtrust Managed	92.0	96.8	+0.3	-
Baring Managed	104.0	109.4	+0.5	-
CU Managed	184.7	194.4	+1.0	-
Fidelity Managed	136.3	143.4	+0.8	-
Framlington Managed	177.0	186.3	+0.7	-
Gartmore Managed	187.3	197.1	+0.9	-
Henderson Managed	188.4	198.3	+0.9	-
James Capel Mngd.	107.8	113.4	+0.2	-
Kleinwort Benson Mngd.	114.6	120.5	+0.5	-
Martin Currie Mngd.	113.9	119.8	+0.9	-
MIM Britannia Managed	152.0	160.0	+0.9	-

Target Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Worldwide Income	222.5	234.3	+0.2	-
Australian	24.9	26.3	+0.1	-
Japan & General	351.9	370.9	-0.8	-
Gold & General	62.8	66.2	+0.3	-
Financial	210.5	221.6	-0.3	-
Income	300.7	316.6	+0.3	-
UK Capital	194.8	205.1	-0.3	-
Preference	194.8	205.1	+0.4	-
International Bond	90.6	95.4	-0.2	-
European Spec. Sits.	187.0	196.9	+1.0	-
Starling		10.8	---	-
Residential Property	95.5	100.5	---	-

Finexco International Ltd
PO Box 193 St Peter Port, Guernsey 0481 713100

Hansard International Ltd.

Independent Financial Group PLC
Hornbeam Park Harrogate, HG2 8QT 0423 873636

Life Managed Funds

	Bid Price	Offer Price	+ or -	Yield Gross
APM Managed (Sulz)	172.7	181.7	-2.8	-
APM B.I. & Growth	113.7	119.7	---	-
APM Bond Fund (Target)	104.4	109.9	---	-
APM Univ Bd (S & P)	50.4	53.4	---	-
Pensions Managed Funds				
APM Exclusive Pen (TRL)	157.1	165.4	---	-
APM Mngd Pen (Sulz)	660.9	695.6	+3.9	-
APM Mngd Pen (Target)	80.2	86.3	-0.2	-
APM Univ Pen (S & P)	66.0	69.9	---	-

Johnson Fry Asset Managers Plc

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I.

Lion World Fixed Income Fund

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.40	17.75	+0.02	1.05
Japan Tech	$63.10	66.26	-0.35	-
Japan Fund	$26.35	27.65	-0.20	0.17
Japan New Gen Fd	$20.30	21.32	-0.16	-
Malay Sing	$30.42	32.95	-0.15	0.31
Nth American	$22.11	23.22	+0.31	0.58
Pacific Fd	$64.29	67.51	-0.18	-
International Bond	$17.38	18.26	-0.05	6.89
Korea Fund	$13.25	13.93	-0.03	-
Hong Kong	$49.96	52.46	-0.12	3.09

Federated International Funds Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

ISLE OF MAN (REGULATED)(**)

GUERNSEY

JERSEY (SIB RECOGNISED)

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 429, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

JERSEY (REGULATED)(**)

Barclays Intl Funds

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weaker on US rate talk

THE DOLLAR weakened yesterday as talk of an imminent reduction in US interest rates returned to the fore, while a stronger D-Mark contributed to the US currency's losses.

The dollar had moved higher after the Group of Seven finance ministers' meeting in Bangkok produced little of substance on the US unit.

However, a weak set of car sales data for the first ten days of October and the poor results from Citicorp have rekindled worries about the state of the US economy.

The approach of an important set of US inflation figures today has also helped concentrate the market's attention on the possibility that the Federal Reserve could soon ease monetary policy.

A 0.2 per cent rise in September consumer prices is expected by the market and compares with a similar rise in August. If the Fed decides to lower rates, the most likely course of action is to signal to the markets that it wants a lower Fed funds rate: 5 per cent rather than the current target of 5¼ per cent is expected.

The dollar closed lower at DM1.7020 from DM1.7115; at SFr1.4875 from SFr1.4935; at Y130.05 from Y130.20; and at FFr5.7975 from FFr5.8275.

The D-Mark was firmer as the market began to digest the more aggressive noises on inflation coming out of the Bundesbank. There was little indication that market participants were considering an immediate rise in German rates: the German interest rate futures market was virtually unchanged.

Nevertheless, with the Bundesbank hinting that it is considering smaller, but more frequent adjustments in rates, analysts were not ruling out a slight upward move before the end of the month.

The mark was stronger against the yen, rising to Y76.20 from Y75.95. Talk of an easing in Japanese rates and worries about the strength of the Japanese economy helped weaken the yen. The higher mark/yen rate helped depress the dollar.

Within the ERM, speculation about a reduction in French interest rates had little impact on the French franc. Although the franc was firmly at the bottom of the ERM grid, it was steady against the D-Mark and remained ¼ percentage point above its D-Mark floor.

Sterling was little changed as the latest opinion poll put the opposition Labour party only 2 points ahead of the governing Conservatives. The market is now waiting for an important batch of labour market statistics today.

August average earnings on an annualised basis are expected to have risen by 7.25 per cent from 7.5 per cent the previous month; while a 55,000 person rise in unemployment in September compares with a 59,000 increase in August.

Sterling closed unchanged at DM2.195; but was higher at $1.7110 from $1.7020; at SFr2.5450 from SFr2.5425; at Y222.50 from Y221.50; and at FFr9.9200 from FFr9.9175.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.896	-3.54	4.94	61
Belgian Franc	42.4032	42.1608	-0.57	1.80	32
Italian Lira	1538.24	1531.52	-0.44	1.67	26
D-Mark	2.05586	2.04857	-0.35	1.58	28
Dutch Guilder	2.31643	2.30847	-0.34	1.57	21
Irish Punt	0.767417	0.766152	-0.16	1.39	11
Danish Krone	7.84195	7.89275	0.65	0.57	-25
Sterling	0.696904	0.703336	0.92	0.30	-39
French Franc	6.89509	6.97930	1.22	0.00	-62

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.16	Latest	Previous Close
£ Spot	1.7085-1.7095	1.6990-1.7000
1 month	0.77-0.76pm	0.79-0.77cpm
3 months	2.18-2.15pm	2.12-2.09pm
12 months	7.30-7.23pm	7.18-7.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]		
N.Zealand	3.0165 - 3.0205	1.7645 - 1.7670
Saudi Ar	6.3565 - 6.4330	3.7500 - 3.7510
Singapore	2.8910 - 2.8975	1.6930 - 1.6950
S.Af (Cm)	4.8395 - 4.8510	2.8350 - 2.8365
S.Af (Fn)	5.3015 - 5.3540	3.1010 - 3.1495
Taiwan	45.30 - 45.40	26.50 - 26.55
U.A.E.	6.2230 - 6.3000	3.6715 - 3.6735

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 6⅛-6⅛ per cent; three years 6⅝-6⅞ per cent; four years 7⅛-7⅜ per cent; five years 7⅜-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.711	2.913	222.5	9.920	2.545	3.280	2177	1.936	59.90	1.422
$	0.584	1	1.703	130.0	5.798	1.487	1.917	1272	1.132	35.01	0.831
DM	0.343	0.587	1	76.38	3.405	0.874	1.126	747.3	0.665	20.56	0.488
YEN	4.494	7.690	13.09	1000.	44.58	11.44	14.74	9784	8.701	269.2	6.391
F Fr.	1.008	1.725	2.936	224.3	10.	2.566	3.306	2195	1.952	60.38	1.433
S Fr.	0.393	0.672	1.145	87.43	3.898	1	1.289	855.4	0.761	23.54	0.559
H Fl.	0.305	0.522	0.888	67.84	3.024	0.776	1	663.7	0.590	18.26	0.434
Lira	0.459	0.786	1.338	102.2	4.557	1.169	1.507	1000.	0.889	27.51	0.653
C $	0.517	0.884	1.505	114.9	5.124	1.315	1.694	1124	1	30.94	0.735
B Fr.	1.669	2.856	4.863	371.5	16.56	4.249	5.476	3634	3.232	100.	2.374
ECU	0.703	1.203	2.049	156.5	6.976	1.790	2.307	1531	1.361	42.12	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.68	91.76	91.67	91.76
Mar	92.08	92.11	92.08	92.14
Jun	92.31	92.36	92.31	92.37
Sep	92.46	92.48	92.44	92.51

Estimated volume 4223 (4127)
Previous day's open int. 19474 (19290)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2623.0	2629.0	2613.0	2616.0
Mar	2657.0			2649.5
Jun	2688.0			2681.0

Estimated volume 4125 (5868)
Previous day's open int. 35848 (35572)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1111.0	1115.0	1112.0	1110.0
Mar				

Estimated volume 14 (0)
Previous day's open int. 313 (313)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7110	1.7034	1.6894	1.6707	1.6386

ECU BOND (MATIF)

December	106.86	106.84	+0.14	106.92	106.80	8.96	4,364
March	-	106.86	+0.14	-	-	8.95	270

Estimated volume 3,112 Total Open Interest 4,634

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.07	0.34	-
106	1.71	-	-	0.16	0.58	-
107	0.98	1.48	1.90	0.40	0.90	1.13
108	0.45	1.00	-	0.89	1.40	-
Open Int.	112,769	48,672	2,420	83,386	40,690	8,773

Estimated volume 41,451 Total Open Interest 296,710

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd	11.5
Bank of Cyprus	10.5	First National Bank Plc	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Firm UK rates

UK MONEY rates were firm yesterday as the market remained tight while liquidity continued to drain out of the system for technical reasons. But in the rest of the world, interest rates were generally easier as markets began to anticipate rate cuts in France, Japan and the US.

The Bank of England forecasted a liquidity shortage of £1.2bn but was only able to provide £976m of liquidity. Overnight money was said to have been forced up to 14 per cent at one stage, before eventually settling little changed at 10¾-½ per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Initially, short-term rates had been easier as the Bank of England offered to buy £550m of bills from the market at 10$\frac{9}{16}$-⅝ per cent and then resell them to the market at the end of October. This securities repurchase agreement proved to be popular with market participants and the additional liquidity pushed overnight rates lower.

Borrowers took advantage of the cheaper money that followed the repo and when the Bank of England offered to buy bills later in the day it was offered only £299m of bills during the morning and £2m in the afternoon. The late assistance of £125m took the day's total help to £976m, leaving the market over £200m short.

A large number of maturing bills and customs and excise payments into the Exchequer has left the market short this week and a further £750m shortage is expected today.

Period rates were stable with few new factors to influence trading. Three months money was unchanged at 10$\frac{7}{16}$-$\frac{13}{32}$ per cent; despite sterling's steadier tone there is no sign yet of market rates easing.

Internationally, the picture is more mixed but there are growing signs that rates may be easing. In the US, the Federal Reserve is expected to react to growing signs of a sluggish recovery by lowering market rates.

An easing in the key Federal funds rate to 5 per cent from 5¼ per cent is widely anticipated in the market this week. Today's September inflation data may prompt the Fed to loosen policy.

In France, the interest rate futures market has been steadily advancing this week on increasing speculation that a ¼ point rate cut is due.

The franc's stability against the D-Mark may allow the Bank of France to cut rates. Attention will focus on today's repo.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 16) 3 months US dollars		6 months US Dollars	
bid 5⅛	offer 5¼	bid 5⅛	offer 5¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	8	One month	5.05	Three year	6.11
Broker loan rate	7	Two month	5.07	Four year	6.27
Fed.funds	6	Three month	5.09	Five year	6.76
Fed.funds at intervention	6⅛	Six month	5.20	Seven year	7.15
		One year	5.25	10-year	7.44
		Two year	5.83	30-year	7.88

Oct.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.15	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8¾-9	9⅛-9¼	9⅛-9⅜	9¼-9⅜	9⅜-9½	9.25
Zurich	7½-7⅝	8-8¼	-	8-8¼	-	-
Amsterdam	8.87-9.00	9.13-9.20	-	9.21-9.31	-	-
Tokyo	6$\frac{13}{16}$-6$\frac{15}{16}$	6⅝-6$\frac{13}{16}$	-	6$\frac{13}{16}$-6$\frac{15}{16}$	-	-
Milan	10⅝-11	11¼-11½	-	11½-11¾	-	-
Brussels	9.18-9.25	9¼-9¾	-	9¼-9⅜	-	-
Dublin	10-10¼	10-10¼	10-10¼	10⅛-10⅜	10¼-10½	-

LONDON MONEY RATES

Oct 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	10¾	10⅝	10½	10⅜	10⅜
Interbank Bid	9½	10⅜	10½	10⅜	10¼	10¼
Sterling CDs	-	-	10$\frac{7}{16}$	10⅜	10¼	10¼
Local Authority Deps.	10$\frac{7}{16}$	10$\frac{7}{16}$	10$\frac{7}{16}$	10$\frac{7}{16}$	10¼	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10⅝	10½	10⅜	10⅜
Finance House Deposits	-	-	10⅝	10½	10½	10⅜
Treasury Bills (Buy)	-	-	10¼	9⅞	9⅞	-
Bank Bills (Buy)	-	-	10$\frac{7}{16}$	10⅜	9$\frac{15}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.25	5.35	5.35	5.48
SDR Linked Dep. Offer	-	-	7½	7½	7¼	7½
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9¾	9¾	9¾	9¾
ECU Linked Dep. Bid	-	-	9⅝	9⅝	9⅝	9⅝

Treasury Bills (sell); one-month 10⅛ per cent; three months 9$\frac{13}{16}$ per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10$\frac{3}{8}$ per cent; three months 10$\frac{5}{16}$ per cent; Treasury Bills; Average tender rate of discount 9.8476 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991; Bank Deposit Rates for sums at seven days notice [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

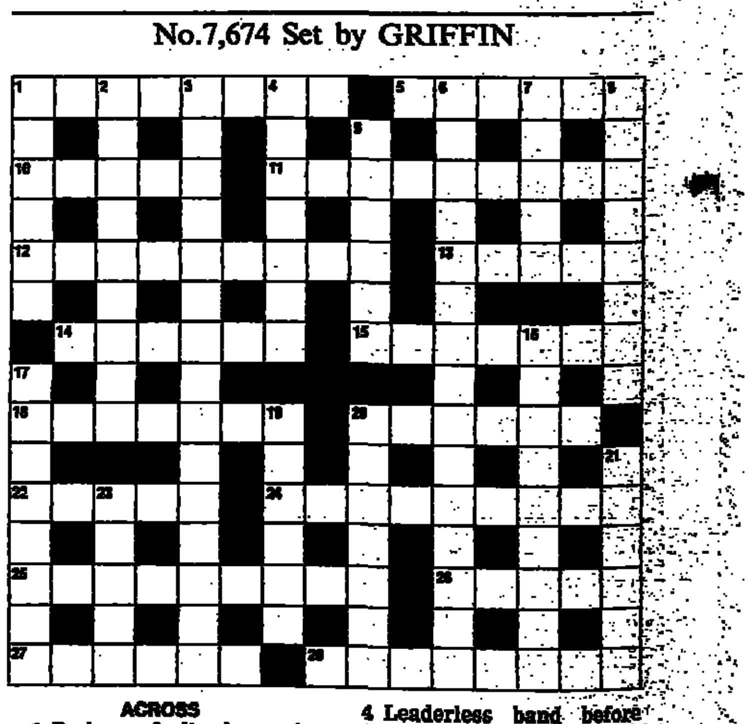
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,674 Set by GRIFFIN



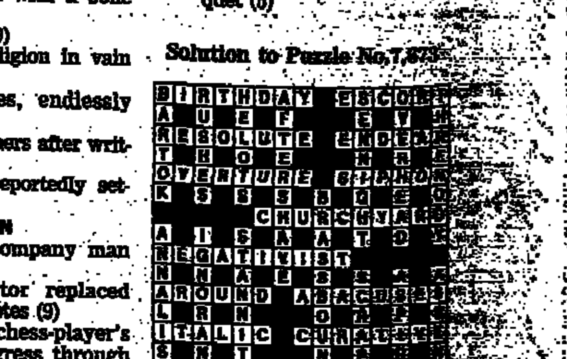
ACROSS

1 Barbecue fuel's cleaner in California, love! (8)
5 After Lawrence leaves he's untidy again (6)
10 Rose drops round after work for shrub (5)
11 Leaving front door aperture open (9)
12 Go in bearing coal, distributed nightly (9)
13 Head Office let retirement accommodation (5)
14 Church ban ball during hunt (6)
15 Swimmer has a month to work (7)
18 Balance owing after poor rise (7)
20 Grave of so many half-breeds (6)
22 I nipped back with a bone (5)
24 Jack's right! (9)
25 Quoted on religion in vain (9)
26 Perfect ladies, endlessly dancing (5)
27 Defames listeners after writing back (6)
28 Blasted bee reportedly settled! (8)

DOWN

1 Convincing company man (6)
2 Shocking actor replaced promissory notes (9)
3 Professional chess-player's eventful progress through life? (9,6)
4 Leaderless band before musical instruction (7)
6 Thing I'm free to be reproducing temporarily (3,3,4,5)
7 Using ruler obliquely put "explode" (5)
8 Careless student sees he'd moved out (8)
9 God wants flower in every single hole (6)
16 Lasting hair-do needs an improved net (9)
17 Defends broadcast sport, etc (8)
19 Keepers at zoo, hiding fake (6)
20 Dreadful thing, boys standing outside toilet (7)
21 Walked in the sea topless, being confused! (6)
23 Say beak turned up for banquet (5)

Solution to Puzzle No.7,673



هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices October 16

Quotations in cents unless marked $

MONTREAL

3:00 pm prices October 16

Total Sales 11,371,100 shares

INDICES

NEW YORK

DOW JONES	Oct 15	Oct 14	Oct 11	Oct 10	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3041.37	3019.45	2983.68	2976.52	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	97.15	97.10	97.03	97.06	97.30 (4/10)	91.30 (16/1)	97.30 (4/10/91)	54.99 (1/10/81)
Transport	1253.18	1240.28	1217.12	1206.46	1253.18 (15/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.43	213.95	211.82	211.00	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3057.69 (3026.39) Low 3000.22 (2975.85)

STANDARD AND POOR'S

	Oct 15	Oct 14	Oct 11	Oct 10	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	391.01	386.47	381.45	380.55	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	462.40	456.78	450.58	449.59	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.84	31.18	30.77	30.57	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	214.90	212.57	210.07	209.55	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	376.94	372.66	369.66	368.59	376.94 (15/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	534.11	525.66	519.05	515.94	534.11 (15/10)	355.75 (14/1)	534.11 (15/10/91)	54.87 (31/10/72)

	Oct 11	Oct 4	Sep 27	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.12	3.08	4.23
	Oct 9	**Oct 2**	**Sep 25**	**year ago (approx.)**
S & P Industrial div. yield	3.24	2.74	2.73	3.56
S & P Indl. P/E ratio	20.53	21.14	21.14	14.28

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Citicorp	4,158,700	12⅞	- 1
RJR Nabisco	3,395,200	10⅝	+ ⅛
West Elect	3,219,100	18⅛	+ ⅞
IBM	3,027,500	104⅛	+ 2⅞
Am T & T	2,749,800	38⅜	+ ⅛
Amer Express	2,593,500	21¼	+ ½
Waste Mgmnt	2,347,900	36⅛	+ 1⅛
Pepsico	1,995,800	29	....
Gen Elect	1,951,300	70	+ 2⅞
Archer Daniels	1,940,400	27⅞	+ 1⅛

TRADING ACTIVITY

† Volume Millions	Oct 15	Oct 14	Oct 11
New York SE	213.440	127.945	146.560
Amex	14.192	9.195	9.839
NASDAQ	177.928	117.084	145.013
NYSE			
Issues Traded	2,099	2,064	2,088
Rises	1,151	1,089	928
Falls	475	469	627
Unchanged	473	506	533
New Highs	172	89	68
New Lows	20	8	12

CANADA

TORONTO	Oct 15	Oct 14	Oct 11	Oct 10	1991 HIGH	1991 LOW
Metals & Minerals	2937.29	(c)	2872.64	2806.51	3299.99 (18/7)	2632.06 (9/1)
Composite	3416.68	(c)	3375.43	3345.08	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1821.66	(c)	1798.78	1781.72	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 16	Oct 15	Oct 14	Oct 11	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.4	1586.5	1563.8	1555.3	1591.4 (16/10)	1204.5 (16/1)
All Mining (1/1/80)	634.4	634.2	624.9	616.3	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	411.40	413.85	416.99	429.56	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1105.65	1105.53	1104.79	1109.58	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	358.15	358.45	357.88	357.78	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	853.2	848.6	854.0	853.9	1186.9 (8/4)	843.3 (2/10)
FRANCE						
CAC General (31/12/82)	492.27	489.07	487.47	490.75	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1863.40	1856.89	1835.98	1833.82	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	649.83	653.76	647.13	647.46	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1825.30	1836.20	1817.8	1820.0	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1570.11	1585.04	1571.04	1568.42	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	4033.75	4022.21	4017.98	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1442.31	1431.46	1422.10	1423.58	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	(u)	(u)	(u)	(u)	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24334.67	24387.65	23860.67	24157.72	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1850.05	1848.56	1835.59	1853.33	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2826.39	2836.88	2847.23	2858.86	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	517.24	514.59	518.80	510.36	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	281.2	280.6	276.9	274.8	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.8	197.3	194.8	193.3	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	698.41	704.30	710.48	726.96	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1034.22	1030.53	1009.15	978.81	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	376.16	376.36	377.00	372.21	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1155.0§	1183.0	1192.0	1171.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4029.0§	4049.0	4056.0	4052.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	692.06	700.18	703.81	708.30	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	265.47	263.56	263.06	265.04	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	972.20	965.20	986.9	999.9	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	753.8	744.6	742.7	742.8	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	614.2	609.7	609.0	609.4	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4309.23	4568.61	4554.58	4813.20	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	626.36	(c)	(c)	639.08	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	518.5*	517.9*	515.9	514.0	529.2 (17/4)	439.1 (16/1)

**Saturday October 12: Taiwan Weighted Price: 4825.67. Korea Comp Ex. 701.99
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, 16 October, 1991

	Stocks Traded	Closing Prices	Change on day
Nippon Zeon	10.8m	710	+100
Toray Ind.	9.7m	707	+42
Japan St Bolt	7.8m	1,010	+30
M'bishi Kasei	7.3m	808	+28
Nippon Mining	5.9m	606	+6
Teikoku Oil	5.8m	880	+15
Meiji Seika	5.8m	1,190	-40
Tanabe Seiyaku	5.7m	1,480	+150
Cosmo Oil	4.4m	924	+13
Nissan Chemical	4.3m	960	-50

3:15 pm prices October 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18⅞	9¼	AAR Corp x	0.48	0.04	18	338	13½	13¼	13½	+⅛
18¾	14⅞	A L Labs A	0.18	0.01	20	237	18⅛	17⅞	18⅛	+¼
55¼	40⅞	AMP Inc	1.44	0.03	19	1172	49¼	49	49⅛	-⅛
68⅝	44¼	AMR				129180	65⅛	61¼	65⅛	+3⅞
2⅝	1	ARX			1	8	1½	1½	1½	
56	41½	ASA	3.50	0.07	13	317	47⅞	46⅝	47⅞	+⅞
65⅞	39¼	Abbott Lab x	1.00	0.02	22	3460	u55¼	55⅛	55⅝	+½
14⅝	9⅞	Abitibi Pr x	0.50	0.04	24	30	13⅛	13	13¼	+⅛
11⅝	10⅞	ACM Gvt In x	1.26	0.11		831	u11⅝	11½	11½	
9¾	8⅝	ACM GvOpp x	1.01	0.10		143	u9¾	9⅝	9¾	+⅛
9½	8¼	ACM Gvt Sp	1.01	0.11		480	u9½	9⅜	9½	+⅛
11	9⅞	ACM Gvt Se	1.26	0.11		2209	u11	10⅞	11	+⅛
9	7⅝	ACM Man x	1.01	0.11		612	u9	8⅞	9	+⅛
12⅞	11½	ACM Managd x	1.35	0.10		164	12¾	12⅝	12¾	
7½	4¾	Acme Cleve x	0.40	0.06	17	207	6⅝	6½	6½	
6	3⅞	Acme Elecr			2	15	4¼	4⅛	4¼	
40	22¼	Acuson			24	2367	35⅛	34½	35⅛	+⅞
19¼	14¼	Adams Expr	0.73	0.04	0	88	u19¼	19	19⅛	-⅛
20⅛	17½	Adobe12Pf	2.40	0.12		88	19⅞	19½	19⅝	-⅛
9¾	6⅝	Adobe Res			48	427	7⅛	7¼	7¼	
38⅛	18	Ad Micro				18	34⅛	33¾	34½	+¾
14¼	4⅝	Ad Micro P	3.00	0.27	16	7192	11⅛	11	11¼	+¼
5⅛	2¼	Advest Grp	0.16	0.04	8	330	4¼	4⅛	4⅛	
49⅛	31⅞	Aetna Lf x	2.76	0.08	7	2224	35⅞	35½	35⅞	+½
10⅝	6⅝	Afill A	0.24	0.03	44	678	8⅛	7⅞	8	
20⅞	12	Ahmanson	0.88	0.05	10	2970	17½	16¾	16⅞	-⅝
16¼	2⅞	Aileen Inc			16	168	u16⅝	16	16¼	+¼
74⅛	61⅞	Air Pr Chm	1.56	0.02	18	660	71⅝	70⅛	71⅞	+1
30	16⅝	Airbrne Frt	0.30	0.01	17	650	26¾	25¾	26⅛	-⅛
19⅛	12½	Airgas Inc			102	127	18⅝	18⅜	18½	
15¼	10	Airlease	1.68	0.13	7	2	12⅜	12¾	12⅞	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- U -

[illegible]

- T -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.
a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices October 16

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices October 16

[illegible]

AMERICA

Mixed corporate results keep Dow steady

Wall Street

THE STOCK market struggled to hold on to its recent gains yesterday morning, as more mixed corporate news left share prices little changed in heavy trading, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 3.58 at 3,037.79, not having strayed more than a few points either side of opening values all morning. The more broadly based Standard & Poor's 500 was equally becalmed, standing down just 0.11 at 390.84, while the Nasdaq composite of over-the-counter stocks surged to record highs, rising 3.76 to 537.87. Turnover on the New York Stock Exchange was exceptionally heavy at 135m shares by 1 pm.

The lack of progress yesterday had been expected by analysts, who predicted a period of consolidation after the market's show of resilience earlier in the week in the face of poor third quarter earnings results.

Corporate news again dominated the session. The most actively traded stock was Citicorp, which on Tuesday stunned the market with a third quarter loss of $885m, big loan loss provisions and a dividend suspension. Yesterday the stock fell another $1¼ to $11½ in volume of 3.5m shares.

AMR, the parent of American Airlines, jumped $3¼ to $64¼ after reporting better-than-expected net income of $70.3m for the third quarter. Earnings per share of $1.02 were steady compared with a year ago, in spite of a rise in the number of shares outstanding.

The news boosted other airline stocks, with Delta adding $1⅞ to $69⅝, USAir rising $⅝ to $9⅞ and UAL climbing $4⅛ to $132. Air Wisconsin, a local carrier which is due to be purchased by UAL, rose $1⅛ to $9¾ after it said that American had expressed interest in making a possible rival bid.

Coca-Cola fell $⅝ to $62⅞ after the company reported a $456.3m profit for the third quarter, up 15.7 per cent on the same stage a year ago. The performance, however, was less impressive when the one-off charge that depressed third quarter 1990 earnings was considered. Coca-Cola forecast that the gap between its share of the US soft drinks market and Pepsi's would widen over the next year. Shares in PepsiCo, which reported lower third quarter income and a restructuring charge on Tuesday, fell another $⅜ to $28⅞.

IBM ran into profit-taking, dropping $2⅝ to $101⅝. It had risen recently on profits which were modest, but no worse than expected.

On the over-the-counter market Centocor jumped $2 to $52 involume of 2.3m shares after the company said that it had received a US patent providing broad protection for its Centoxim drug, which is used for treating septic shock.

Canada

TORONTO blue chips finally began to show some strength on the heels of a run-up in small issues. At midday, the composite index had gained 15.8 to 3,432.5.

Advancing issues were leading declines by 211 to 157, in volume of 10.5m shares valued at C$132.9m.

Alcan led an uptick in resource stocks after the company reported better-than-expected third quarter results last Friday.

Alcan gained C$¼ to C$23⅞ in heavy volume. The company said yesterday that it would cut aluminium output temporarily, and that its research and development arm would cut jobs.

Among natural resources shares, Inco firmed C$⅞ to stand at C$36⅝, Cominco gained C$⅝ to C$23¼, and Canfor picked up C$1¼ to C$23¼.

ASIA PACIFIC

Biotechnology shares again support Nikkei

Tokyo

SHARE PRICES closed marginally higher yesterday after moving in a narrow range on the second day of the Big Four securities houses' suspension, in activity dominated by individuals and second-tier brokerages, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended up 27.02 at 24,334.67 after a day's high of 24,423.54 and a low of 24,221.38. The index lost upward momentum at one stage in the afternoon on rumours that Iraq had shot down a US military aircraft, but soon picked up on the popularity of biotechnology shares.

Volume rose to 350m shares from 260m on short-term trading by individuals and institutions and index-linked activity by dealers. Declines led advances by 473 to 452, with 189 issues unchanged. The Topix index of all first section stocks rose 1.49 to 1,850.05, and in London the ISE/Nikkei 50 index gained 2.23 to 1,407.21.

Continued buying of biotechnology issues supported the market, and interest spread to foods, chemicals, pharmaceuticals and textiles. Short-term buying by foreigners and some institutions was noted.

Meiji Milk Products, the dairy company which announced that it had developed an Aids drug, remained strong, rising Y108 to Y1,010.

Nippon Zeon, the most active issue of the day, rose by its daily limit of Y100 to Y710 on the biotechnology theme. Tanabe Seiyaku, a pharmaceutical company, rose Y150 to Y1,480 and Teijin, the synthetic fibre maker, added Y20 at Y580 on hopes that the company would unveil a new cancer drug.

Electricals and precision engineers, on the other hand, were weak on reports of lower earnings estimates. Kokusai Electric fell Y40 to Y3,010 on projections of only a marginal increase in pre-tax profits for the current fiscal year owing to sluggish semiconductor sales. Minolta Camera fell Y20 to Y611 on the company's forecast of flat pre-tax profits for the year to March 1992.

The Tokyo Stock Exchange said that stock holdings held for arbitrage against December futures contracts totalled 1.1bn shares worth Y1,324bn on October 11, up by 62m shares or Y43.7bn from the previous week. The rise reflects active arbitrage trading following the fall in short-term interest rates. Although the expiry for December futures is two months away, there are worries in the market over mounting arbitrage positions.

In Osaka, the OSE average moved up 107.50 to 26,475.28 in volume of 26.2m shares. Export-oriented electrical machinery issues declined on the higher yen, while domestic-oriented construction and chemical shares firmed.

Roundup

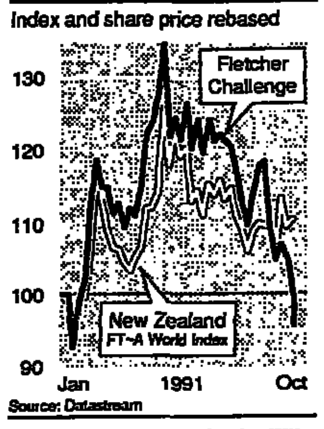
PACIFIC RIM markets were mostly lower. Hong Kong was closed for a holiday.

NEW ZEALAND fell on a drop in Fletcher Challenge shares and on news of an insider trading investigation involving Wilson Neill. The NZSE-40 index lost 10.76 to 1,437.12 in turnover of NZ$26m, after Tuesday's NZ$24m.

Fletcher Challenge fell 9 cents to NZ$3, its lowest level since January, in the heaviest market volume of 2.7m shares. The stock has been under pressure because of uncertainty about whether the company intends to exercise a put option that could force the government to buy 104m new shares at NZ$3.83 each on October 31.

Meanwhile, the Securities Commission said it had approved a preliminary investigation into suspected insider trading in the shares of the liquor and investment concern Wilson Neill. The stock closed 2 cents lower at 14 cents, while Magnum Corp, which has built up a 49 per cent stake in Wilson Neill over the last six months, fell 8 cents to NZ$1.50.

Index and share price rebased



Source: Datastream

TAIWAN dropped 5.7 per cent on rumours that the government had begun to arrest members of the opposition Democratic Progressive Party. The weighted index lost 259.38 to 4,309.23, the lowest level since February 8. Turnover rose to T$20.4bn from T$11.8bn.

SEOUL's composite index fell below the 700 level to 692.06, down 8.12, in turnover of Won215bn, against Won262bn.

Rubber shares bucked the trend on a report that tyre exports will increase this year. Dong A Tire rose by its upper limit of Won600 to Won15,400.

AUSTRALIA was quiet in comparison with the local bond market, where yields rose as high as 10.06 per cent from 9.94 per cent in turbulent trading. The activity followed an overnight warning from Standard & Poor's, the international credit rating agency, that it would retain its negative outlook on Australia's debt rating.

The All Ordinaries index put on 4.9 to 1,591.4 in turnover of A$239m, up from A$226m.

MANILA rose for the third consecutive day although there was evidence of profit-taking. The composite index firmed 3.69 to 1,034.22 in turnover of 175.1m pesos, after 176.6m.

SINGAPORE was narrowly mixed. The Straits Times Industrial index edged up 0.19 to 1,370.23 in turnover of S$57m, down from S$99m.

BANGKOK returned, after a four-day weekend, shaken by political jitters. The SET index shed 12.72 to 626.36 in turnover of Bt1.71bn. JAKARTA edged lower in spite of new rules on securities houses, designed to improve investor protection. The index eased 1.02 to 238.16 as volume shrank to 1.76m shares from 3.25m.

BOMBAY rebounded as its economic reforms were praised at the International Monetary Fund meeting in Bangkok. The BSE index gained 49.41 or 2.9 per cent to 1,773.47. The market is shut today for a holiday.

EUROPE

Chemicals downgrade sends Frankfurt lower

A DOWNGRADING of the German chemicals sector sent Frankfurt into reverse yesterday, *writes Our Markets Staff.*

FRANKFURT moved from gains of up to a percentage point in the pre-bourse, through a flat opening to a near-one per cent decline at the close, as the influence of US overnight gains was wiped out by a downward revision of earnings forecasts for the chemicals sector by Degab, Deutsche Bank's research arm.

After a fall of 3.93 to 649.83 in the FAZ index at midsession, the DAX closed 14.93 lower at 1,570.11. Volume rose to DM4.6bn from DM4.3bn.

The "Big Three" chemicals dropped by nearly 3 per cent, BASF leading with a loss of DM8.60 to DM235.10 on speculation that it might also have to cut its 1991 dividend.

Interest rate-sensitive banks and utilities showed relative strength in response to recent bond market gains. Siemens also supported the DAX, closing only DM2.40 lower at DM621.60, but the companies associated with the electricals giant in recent deals, Linotype-Hell and Siemens-Nixdorf, suffered falls of DM14 to DM375.50, and DM6.20 to DM187.50, respectively.

The other main feature was a U-turn in retailing and construction, which fell after two days of strength. Hochtief and Holzmann each dropped DM45, to DM1,155 and DM1,175. Mr Hans Peter Wodniok of James Capel in Frankfurt said that there were mixed views on these sectors, Capel being a seller of both, and that investors were reflecting this.

ZURICH took a different attitude to its own chemicals sector, which rose nearly 3 per cent as the Crédit Suisse index closed just 1.5 higher at 508.3.

Ciba-Geigy registered topped the active list, and rose SFr60 to SFr3,160 after a forecast of higher 1991 profits. Roche came second, the deep discount rights issue from the pharmaceuticals major pleasing analysts, who said that it would create more liquidity. The bearers rose SFr200 to SFr8,020 and the participation certificates by SFr160 to SFr5,170.

PARIS was well supported on continued hopes of an interest rate cut today. Tuesday's inflation news and Wall Street's overnight gains. The CAC 40 index rose 6.51 to 1,863.40 in moderate turnover after Tuesday's FFr2.2bn.

FT-SE Eurotrack 100 - Oct 16							
Hourly changes							
Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1099.50	1099.34	1098.18	1096.53	1096.16	1095.84	1096.02	1095.87
Day's High 1099.57				Day's Low 1095.39			
Oct 15	Oct 14	Oct 11	Oct 10	Oct 9			
1095.49	1088.51	1088.47	1086.32	1088.96			

Base value 1000 (26/10/90)

An interest rate cut has not yet been fully discounted, according to Mr David Ponté of Fauchier-Magnan. "We would have a great time if it were to happen. The market could do with a good kick," he said. After several weeks of lethargy, people were now reacting vigorously to events, he said, citing the recent volatility in stocks such as Eurotunnel, Accor and Sextant Avionique.

Eurotunnel closed another 40 centimes down at FFr44.90, but recovered from a day's low of FFr42.60, in volume of 4.45m shares. The fall followed Tuesday's late news that the company is suing TransMarche Link, the tunnel builders.

Accor gave up its gains in late trading, closing FFr17 down at the day's low of FFr733 after rising to FFr758 earlier. Rumours continued to circulate that the hotels company would raise its stake in the Belgian travel and tourism group, Wagons-Lits, which remained suspended. A statement was expected in Brussels late yesterday.

Sextant Avionique shed FFr18.10 or 6.6 per cent to FFr257.10. Since Friday's first-half results news, the shares have fallen 31.4 per cent.

Michelin, the tyremaker, gained FFr5.80 or 4.5 per cent to a year's high of FFr134.80 in heavy volume of 778,500 shares. There were rumours that it would raise more prices.

MADRID's general index rose 1.92 to 265.47 as turnover improved to about Pta10bn from Pta8bn.

Banesto added Pta20 to Pta3,470 while La Unión y El Fénix dropped Pta150 or 2.6 per cent to Pta5,600. The finance ministry is investigating the tax implications of Banesto's sale of a stake in Fénix to AGF of France.

AMSTERDAM closed mixed in light trading. The CBS Tendency index slipped 0.1 to 90.4.

Fokker lost Fl 1 to Fl 30.20, the day's low. The aerospace group said it was almost certain to go ahead with plans for a new 70-seat jet, possibly financed by a large rights issue. Analysts were worried about the size of the issue, said to be around $250m.

COPENHAGEN saw a rise of DKr12 to DKr703 in FLS Industries, the cement plant maker, which won a DKr200m order from Mexico, and a partial recovery of DKr5 to DKr780 in Monberg & Thorsen, the contractor, weak on Tuesday on a flood in an undersea tunnel.

STOCKHOLM rose in a technical reaction to its seven-day slide. The Affärsvärlden General index was unavailable yesterday, but the stock exchange general index rose 5.14 to 963.84 in light turnover of SKr351m after SKr381m.

Skandia free shares rose SKr3 to SKr194, while S-E-Banken restricted A shares climbed SKr1.5 to SKr52. There was talk that S-E-Banken might reveal the plans for its option on a 28.2 per cent stake in Skandia when it announces its interim results today.

MILAN remained blocked by a strike by floor traders, although they allowed the bourse to open briefly so that brokers could close their books at the end of the October trading account.

SOUTH AFRICA

JOHANNESBURG was mixed to easier as gold shares extended their losses on weaker bullion prices. The all-gold index fell 28 to 1,165, while the industrial index lost 20 to 4,029 and the all-share index dropped 14 to 3,362.

Kuala Lumpur waits for 1992 budget

Lim Siong Hoon reports on fiscal and political fears in Malaysia

THE KUALA Lumpur stock market has taken a beating over the past two months, but Malaysia is still valued as a growth economy. The question is whether the forthcoming budget will sustain these hopes.

The KLSE composite index has fallen by 18.5 per cent from a peak of 635.02 in July, closing yesterday at 517.24, up 2.65. It was one of the world's worst performers during the third quarter, and is down 5.6 per cent on the year, compared with a world markets rise of 14 per cent.

Equity market sentiment has improved a little in the past week, and the market has recovered nearly 2 per cent from its recent bottom. Motor stocks, particularly Tan Chong and Oriental, which were regarded as oversold, have rebounded strongly. The market, too, is still on a demanding price/earnings ratio of 17. This reflects the basic strength of the economy, with real output this year and next forecast to grow at about 8 per cent.

An air of uncertainty is likely to keep the market in check until late this month or early next, when Mr Anwar Ibrahim, the finance minister, unveils the 1992 budget. "Everyone is waiting for the budget," says Mr Greg Miller of Jardine Fleming in Kuala Lumpur.

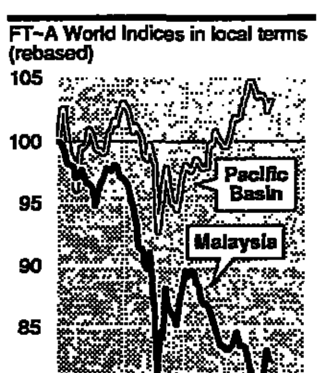
The detail of the budget news is not expected to be particularly palatable. "People know the news is going to be bad, but do not know the magnitude," says Mr Miller.

There are rumours of the introduction of capital gains and value-added taxes, and many consumer goods, such as cars, alcohol and tobacco, are likely to be targeted. One analyst says that Resorts World, Malaysia's largest blue chip leisure group, expects an increase in gambling taxes.

All of this would be in line with the government's intention to squeeze private consumption in order to deal with inflation, which is running at about 5 per cent this year, and a higher than expected current account deficit of up to M$15bn (US$5.5bn) this year compared with M$4.6bn last year.

This is only part of the recent bear market story. Rumours of a Cabinet reshuffle have combined with the earlier worries about inflation, rising interest rates and a weak balance of payments account. In addition, next year's average corporate earnings growth is expected to fall to 12-15 per cent from the 20-24 per cent expected this year, according to calculations by James Capel and Jardine Fleming.

FT-A World Indices in local terms (rebased)



Source: Datastream

However, analysts now think that the market is unlikely to test this year's low of 470.41 on the composite index, set on January 16. At worst, they say, the market may fall to 480 which, says Ms Jennifer Wong of James Capel, is a historical support level.

Mr Lau Yew Kong, research manager at CIMB Securities, argues that the turning point could come soon. "The market has been doing a process of discounting [for the past two months], and it usually over-discounts," he says.

Interest rates have stabilised, after rising almost 2 percentage points this year to nearly 9 per cent.

Moreover, prices are usually supported in the run-up to the Chinese lunar new year in February. Stocks have risen nine times out of the last 12 in December and January, according to Jardine Fleming.

One more plus point is the fact that, although the forthcoming budget should affect consumer demand most significantly, it is unlikely to be deflationary, says Mr Lau. Certain industries, particularly construction and some sectors of manufacturing, could be encouraged by fiscal and monetary policies designed to support trade and investment-related growth.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 15 1991								MONDAY OCTOBER 14 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	153.57	+1.3	133.78	126.39	136.65	127.94	+1.4	4.75	151.68	131.01	124.02	134.02	126.15	153.57	112.74	124.27
Austria (20)	162.53	−1.0	141.58	133.77	144.62	144.26	−0.3	1.98	164.14	141.78	134.21	145.03	144.75	222.37	154.82	198.86
Belgium (47)	128.03	−0.4	111.53	105.37	113.92	111.30	+0.5	5.33	128.53	111.02	105.08	113.56	110.78	151.20	118.04	135.81
Canada (114)	137.47	+1.4	119.75	113.13	122.31	112.48	+1.4	3.34	135.59	117.11	110.86	119.79	110.90	142.27	126.49	122.05
Denmark (37)	246.07	−1.1	214.35	202.52	218.95	220.72	−0.1	1.60	248.74	214.84	203.38	219.78	221.00	270.56	217.74	251.55
Finland (15)	84.42	−0.3	73.53	69.48	75.12	73.85	+0.7	3.30	84.65	73.11	69.21	74.79	73.36	125.15	84.05	102.03
France (109)	138.87	+0.3	120.96	114.28	123.55	126.94	+1.0	3.50	138.40	119.54	113.16	122.28	125.70	152.26	119.11	137.68
Germany (65)	105.56	+0.4	91.95	86.89	93.93	93.93	+1.1	2.40	105.17	90.84	86.00	92.92	92.92	125.35	94.15	115.07
Hong Kong (55)	166.78	+0.2	145.28	137.26	148.41	166.05	+0.3	4.39	166.51	143.82	136.14	147.13	165.54	169.98	119.62	119.63
Ireland (18)	156.29	+0.5	136.14	128.63	139.07	140.94	+1.3	3.55	155.45	134.26	127.10	137.35	139.11	182.46	132.88	156.75
Italy (77)	68.50	−0.9	59.67	56.38	60.95	65.49	+0.0	3.54	69.11	59.69	56.51	61.06	65.49	88.23	64.76	83.75
Japan (474)	140.50	+0.2	122.39	115.63	125.03	115.63	+0.8	0.73	140.28	121.17	114.70	123.98	114.70	146.97	118.23	131.18
Malaysia (68)	195.07	−1.1	169.92	160.53	173.57	206.37	−0.9	2.93	197.22	170.35	161.25	174.25	208.35	247.78	189.18	186.00
Mexico (16)	1301.86	+1.5	1134.04	1071.45	1158.41	4358.42	+1.5	1.21	1282.74	1107.94	1048.82	1133.39	4294.40	1301.86	534.45	509.89
Netherland (31)	139.20	+0.7	121.26	114.56	123.86	122.52	+1.4	4.40	138.26	119.42	113.05	122.17	120.84	145.73	125.70	133.70
New Zealand (14)	46.26	+1.7	40.29	38.07	41.16	43.29	+1.7	6.72	45.48	39.28	37.19	40.18	42.56	54.64	41.18	50.78
Norway (31)	184.61	−0.6	160.81	151.94	164.27	167.76	+0.2	1.68	185.80	160.48	151.92	164.17	167.39	223.24	178.58	232.98
Singapore (38)	190.53	−0.5	165.97	156.81	169.53	148.83	−0.3	2.39	191.42	165.33	156.51	169.13	149.21	208.25	151.63	150.35
South Africa (61)	247.88	+0.0	215.92	204.00	220.56	169.05	+0.0	2.87	247.86	214.09	202.66	219.00	169.04	258.85	173.00	153.42
Spain (53)	149.17	−0.4	129.94	122.77	132.73	121.65	+0.2	4.50	149.76	129.35	122.45	132.32	121.39	171.12	131.51	138.96
Sweden (25)	175.72	−2.4	153.07	144.63	156.36	162.20	−1.8	2.75	180.13	155.58	147.28	159.16	165.13	204.12	146.60	177.48
Switzerland (59)	92.00	−0.3	80.14	75.72	81.87	85.18	+0.2	2.27	92.27	79.70	75.45	81.54	84.98	100.67	82.17	92.28
United Kingdom (240)	175.64	−0.8	152.99	144.54	156.27	152.99	+0.1	4.85	177.00	152.88	144.71	156.38	152.88	187.44	156.27	163.14
USA (526)	158.89	+1.2	138.41	130.77	141.39	158.89	+1.2	3.06	156.98	135.58	128.36	138.70	156.98	161.02	125.95	120.38
Europe (827)	137.40	−0.4	119.69	113.09	122.27	121.50	+0.4	3.95	137.90	119.11	112.76	121.85	121.01	151.52	125.50	136.33
Nordic (108)	175.83	−1.6	153.16	144.71	156.45	153.84	−0.7	2.11	178.60	154.26	146.03	157.80	154.96	200.81	155.55	184.26
Pacific Basin (718)	140.92	+0.2	122.75	115.98	125.39	116.92	+0.8	1.07	140.65	121.49	115.01	124.28	116.00	145.92	117.86	130.19
Euro−Pacific (1545)	139.86	+0.0	121.83	115.10	124.44	119.56	+0.6	2.20	139.90	120.84	114.38	123.61	118.79	147.66	121.29	133.04
North America (640)	157.49	+1.2	137.19	129.63	140.16	155.74	+1.2	3.07	155.58	134.38	127.23	137.49	153.85	159.66	125.91	120.40
Europe Ex. UK (587)	114.81	+0.0	100.01	94.51	102.18	103.47	+0.7	3.26	114.86	99.21	93.93	101.51	102.80	129.80	103.58	119.59
Pacific Ex. Japan (244)	144.94	+0.5	126.26	119.31	128.98	127.58	+0.7	4.33	144.21	124.56	117.93	127.43	126.74	147.60	111.40	117.72
World Ex. US (1736)	141.63	+0.0	123.37	116.57	126.03	120.84	+0.7	2.24	141.59	122.30	115.78	125.11	120.04	148.16	122.32	133.09
World Ex. UK (2022)	143.59	+0.6	125.08	118.19	127.78	130.71	+1.0	2.28	142.74	123.28	116.71	126.13	129.48	145.77	120.06	124.20
World Ex. So. Af. (2201)	145.73	+0.5	126.95	119.95	129.68	132.52	+0.9	2.53	145.06	125.29	118.61	128.18	131.37	148.66	122.92	127.51
World Ex. Japan (1788)	150.82	+0.6	131.47	124.22	134.31	142.17	+0.9	3.42	150.01	129.57	122.66	132.56	140.92	152.85	126.69	127.10
The World Index (2262)	146.40	+0.5	127.52	120.49	130.27	132.83	+0.9	2.54	145.73	125.87	119.16	128.77	131.69	149.01	123.28	127.66

Latest prices were unavailable for this edition. Italian prices were unavailable October 15 owing to industrial action at the Milan Bourse.